

IN THE COUNTY OF WASHINGTON

VIRGINIA DEPARTMENT OF MINES, MINERALS AND ENERGY
VIRGINIA GAS AND OIL BOARD

JULY 18, 2006

APPEARANCES:

BOARD MEMBERS:

PEGGY BARBAR - PUBLIC MEMBER
MARY QUILLEN - PUBLIC MEMBER
BILL HARRIS - PUBLIC MEMBER
DONNIE RATLIFF - COAL REPRESENTATIVE

CHAIRMAN:

BENNY WAMPLER - DEPUTY DIRECTOR OF THE DMME AND CHAIRMAN

BOB WILSON - DIRECTOR OF THE DIVISION OF GAS & OIL AND
PRINCIPAL EXECUTIVE TO THE STAFF OF THE BOARD

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BENNY WAMPLER: Okay. We'll go ahead and call the meeting to order. I would ask you right up front, if you have cell phones, please cut them off so we don't have, you know, those disruptions and what have you. These are not microphones that project. We'll try to talk loud. They are for the purpose of having a verbatim recording of our hearing. Good morning. My name is Benny Wampler and I'm Deputy Director for the Department of Mines, Minerals and Energy and Chairman of the Gas and Oil Board. I'll ask the Board members to introduce themselves starting with Ms. Quillen.

MARY QUILLEN: Mary Quillen, I'm Director of Academic Graduate Programs for the University of Virginia here at the Southwest Center.

PEGGY BARBAR: Good morning. Peggy Barbar, Dean of Engineering, Southwest Virginia Community College, a public member.

BILL HARRIS: I am Bill Harris, a public member from Big Stone Gap.

SHARON PIGEON: I'm Sharon Pigeon with the Office of the Attorney General.

DONNIE RATLIFF: I'm Donnie Ratliff with Alpha Natural Resources representing coal.

BOB WILSON: I'm Bob Wilson. I'm the Director of

the Division of Gas and Oil and Principal Executive to the Staff of the Board.

BENNY WAMPLER: The first item on today's agenda is a petition from Equitable Production Company for a repooling of coalbed methane unit VC-536616. This is docket number VGOB-05-1115-1532-01. We'd ask the parties that wish to address the Board in this matter to come forward at this time

JIM KAISER: Mr. Chairman and Board members, Jim Kaiser on behalf of Equitable Production Company. Again, if you would, please, if you would call also the next three items on the docket. We're going to, again, ask that they be continued. We're...it's...we can hopefully withdraw these petitions again next month. There's three companies involved in an acreage trade. My understanding is that there is a letter of intent signed, but there is no actual agreement yet signed. So---.

BENNY WAMPLER: Okay. Those are dockets number VGOB-05-1115-1533-01, VGOB-05-1115-1537-01 and VGOB-06-0321-1608. Without any objection, those will be continued.

JIM KAISER: And if I could, Mr. Chairman, while I'm here, I've got some more housekeeping---.

BENNY WAMPLER: All right.

JIM KAISER: ---if that's all right.

BENNY WAMPLER: That's fine.

JIM KAISER: CNX has the next petition and then I've got...then I've got two with Chesapeake Appalachia, who has also some later on the docket. So, if it's okay with them, we'd ask that they go ahead and run all of their hearings and then I'd come back in with Chesapeake after number twenty-six so that we can do theirs consecutively. My witnesses are coming from Charleston and they were going to have trouble getting here that early.

BENNY WAMPLER: Okay, we'll do that.

JIM KAISER: And then...I've got some more. And then, in addition to that, items number thirty and thirty-one on the docket, we can withdraw those. Those are now voluntary units. I guess, you need to call those probably.

BENNY WAMPLER: Docket number VGOB-06-0718-1684 and VGOB-06-0718-1685 are withdrawn.

SHARON PIGEON: It was thirty and thirty-one.

JIM KAISER: Thirty and thirty-one.

BENNY WAMPLER: Oh, I'm sorry. I called thirty-two. I thought you said thirty-one.

JIM KAISER: I'm sorry. No, thirty and thirty-one.

BENNY WAMPLER: Okay. Strike the VGOB-06-0718-1685. It is actually VGOB-06-0718-1683 that's withdrawn.

JIM KAISER: That's all I have.

BENNY WAMPLER: All right.

JIM KAISER: See you in a little while.

BENNY WAMPLER: CNX. The next item on the agenda is a petition from CNX Gas Company, LLC for pooling of coalbed methane unit 0-76. This is docket number VGOB-06-0620-1647. This was continued from June. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

MARK SWARTZ: Mark Swartz and Les Arrington.

(Anita Duty passes out exhibits.)

(Leslie K. Arrington is duly sworn.)

BENNY WAMPLER: The record will show no others, you may proceed.

MARK SWARTZ: We need to continue this one. A notice issue was brought to our attention this morning. So, we're going to have to renotice it.

BENNY WAMPLER: All right. That is continued. Any other housekeeping on yours.

MARK SWARTZ: I don't think so.

BENNY WAMPLER: The next item is a petition from CNX Gas Company, LLC for repooling of coalbed methane unit D-19. This is docket number VGOB-01-1120-0978-01. We'd ask the parties that wish to address the Board in this matter to

come forward at this time.

MARK SWARTZ: Mark Swartz and Les Arrington.

BENNY WAMPLER: The record will show no others.

You may proceed.

LESLIE K. ARRINGTON

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Would you state your name for the record, please?

A. Leslie K. Arrington.

Q. Who do you work for?

A. CNX Gas Company, LLC.

Q. What do you do for you?

A. I'm manager of environmental and permitting.

Q. Did you either prepare the notice of hearing and application and related exhibits for D-19 or cause them to be prepared under your supervision?

A. I did.

Q. Okay. Did you sign personally both the

notice of hearing and the application with regard to D-19?

A. Yes, I did.

Q. Who's the applicant?

A. CNX Gas Company.

Q. Is CNX Gas Company a limited liability company in Virginia?

A. Yes, it is.

Q. Is it a wholly owned indirect subsidiary of Consol Energy?

A. Yes.

Q. Is it authorized to do business in Virginia?

A. Yes.

Q. Who is it that the applicant is requesting be appointed designated operator in the event that this application is approved?

A. CNX Gas.

Q. In that regard, has CNX Gas Company registered with the DMME?

A. Yes, it is.

Q. And does it have a blanket bond file?

A. Yes.

Q. Who are the respondents here?

A. Carol and Mark Welch.

Q. Okay. And what did you do to notify them and any others of a hearing today?

A. We mailed by certified mail return receipt requested on June the 16th, 2006. We published in the Bluefield Daily Telegraph on June the 21st, 2006.

Q. Okay. And did you file proof publication and your certificates with regard to mailing with Mr. Wilson?

A. Yes, we have.

Q. Do you wish to add any respondents today?

A. No.

Q. Do you wish to dismiss either Mark Welch or Carol Welch?

A. No.

Q. Okay. This is a repooling, right?

A. Kind of, yes.

Q. Kind of, okay. Tell the Board what happened...why you're saying kind of.

A. Originally, it was pooled for another party. We eventually leased that interest.

Q. So, at that point there was no need for a pooling?

A. That's correct.

Q. And then what happened with regard to Mark

and Carol Welch that causes you to be here today?

A. That lease expired and we're pooling that interest now.

Q. Okay. The...there's no escrow required here?

A. No.

Q. How many wells are in this...in this unit that...that need to be subject to the election rights, if any?

A. Two.

Q. Okay. Have you passed out yet---?

A. No.

Q. Okay. Anita is going to passing out two well cost estimates, correct?

A. Yes.

Q. And this...this unit has had an infill well drilled in it, correct?

A. It has one well drilled and one that is permitted.

(Anita passes out exhibit while the testimony continues.)

Q. Okay. And that would be under the infilled modifications that we've had from time to time?

A. Yes, it is.

Q. Okay. And what are the well costs for theses two wells?

A. Just a minute.

Q. Oh, okay.

A. I'm sorry. The costs for the two wells for well D-19 is \$293,093.65 and D-19A is \$239,381.24.

Q. Which one is drilled and which one is permitted?

A. D-19 and D-19A is permitted.

Q. But not drilled?

A. But not drilled.

Q. Okay. The interests that you've acquired in this...by lease or otherwise in this unit is what?

A. 9...we've leased 96.6916% of the coal, oil and gas owner's claim to coalbed methane. We're seeking to pool 3.3084% of the coal, oil and gas owner's claim to coalbed methane.

Q. Okay. Does...do the sheets...the exhibits...the well cost exhibits that you've passed out indicate the permit numbers and the depth of the wells?

A. Yes, they do.

Q. Would you tell the Board what those are?

A. For D-19, the permit number is 6748 and the depth was 2,491.64 feet. D-19A the permit number is 7309 to

an estimated depth of 2524.

Q. What are the lease terms...your standard lease terms that you've offered to the folks that you've been able to lease in this unit and that you would be willing to offer again to the Welches?

A. For the standard coalbed methane lease, it's a dollar per acres per year with a five year paid up term with a one-eighth production royalty.

Q. Okay. And would you recommend those terms to the Board to be inserted in any order it might enter with regard to folks who would be deemed to have been leased?

A. Yes, we would.

Q. Okay. This is an Oakwood I unit, correct?

A. That's correct.

Q. And it has how many acres?

A. 80.

Q. Okay. If you look at the...at the plat, there's an error in the legend. Do you see that? It says "Middle Ridge".

A. Yes.

Q. Okay.

A. Okay.

Q. So, we're going to file an amended plat just to correct the Middle Ridge to Oakwood I?

A. Yes.

Q. Okay. And as we indicated a moment ago, there's no escrow required here. These people own fee?

A. Correct.

Q. Okay.

MARK SWARTZ: I believe that's all I have, Mr. Chairman.

BENNY WAMPLER: Questions from members of the Board?

BILL HARRIS: Mr. Chairman.

BENNY WAMPLER: Mr. Harris.

BILL HARRIS: Let me just ask about...I know you handed out a new estimated actual costs. Just in comparing that to the one that was with the original application, there seems to be a significant increase. Could you address that?

LESLIE K. ARRINGTON: I sure can. The one...if you'll notice, the casing that was installed within the well, we did set substantially more casing and when we went into this area on D-19, on the original well, there was substantially additional construction work done to prepare the site. I believe, if you'll notice on there on one, I'm generally in the 35 to...\$35,000 range for my site construction. I believe on that it's 53,000, I believe.

The casing, the cementing and the site prep, I believe, is the substantial differences.

BILL HARRIS: Thank you.

BENNY WAMPLER: Other questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

MARK SWARTZ: No.

BENNY WAMPLER: Is there a motion?

DONNIE RATLIFF: I move to approve, Mr. Chairman.

PEGGY BARBAR: I second.

MARY QUILLEN: Second.

BENNY WAMPLER: Motion is second. Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying yes.

(All Board members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. The next item on the agenda is a petition from CNX Gas Company, LLC for a modification of the Oakwood I Field Rules to allow drilling of an additional well in Units H-24 to H-26, I-24 to I-25,

J-23 to J-25, K-23 to K-25, L-23 to L-25. This is docket number VGOB-93-0216-0325-09. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

MARK SWARTZ: Mark Swartz and Les Arrington.

BENNY WAMPLER: The record will show no others.

You may proceed.

LESLIE K. ARRINGTON

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Les, you need to state your name again for us.

A. Leslie K. Arrington.

Q. I'll remind you that you're still under oath.

A. Yes.

MARK SWARTZ: I'd like to incorporate Mr. Arrington's testimony with regard to his employment and his employer.

BENNY WAMPLER: That will be incorporated.

Q. Les, the units that we're talking about here, are those the ones that are colored in red, sort of in the center?

A. Yes, it is.

Q. Okay. And are adjacent to an area that we had previously been here on?

A. Yes.

Q. Okay. Why...what's the purpose of this application?

A. Actually, it's to get infill drilling within that area and when we came in for the area just to the north of it originally, for some reason or another we didn't get that area highlighted.

Q. Okay. And you're proposing, as we have in the past, to be able to drill another well in each of those units that you've colored in red?

A. That's correct.

Q. And the basis for the...the engineering basis and the company business basis for doing this is as we've discussed many times before with the Board?

A. Yes, it is.

Q. And, again, we've got the data superimposed on the map that we've...that we've used historically to demonstrate the benefits of infill drilling?

A. We do. That's correct.

MARK SWARTZ: Really that's all I would have, Mr. Chairman.

BENNY WAMPLER: When you refer to the information presented before the Board before, I assume you're talking about the graph showing that the second well actually increases production?

LESLIE K. ARRINGTON: Yes, that is what we're saying.

BENNY WAMPLER: Any questions from members of the Board?

BOB WILSON: Mr. Chairman.

BENNY WAMPLER: Mr. Wilson.

BOB WILSON: Let me point out something just for the record and for the following orders on this. This particular petition actually came in under docket number 93-0216-0325-09. I believe, most of your documentation refers to 08.

LESLIE K. ARRINGTON: Okay.

BOB WILSON: There was another petition that came in ahead of you that we were here later.

MARK SWARTZ: Oh, okay.

BOB WILSON: But this one and all documentation should reflect the 09.

LESLIE K. ARRINGTON: Okay.

MARK SWARTZ: Okay.

BENNY WAMPLER: That's what I called, but you're

talking about as far as what they have on their---.

BOB WILSON: Yes, sir. The applic---.

BENNY WAMPLER: Their application says 08?

BOB WILSON: The application and the map and everything says 08.

BENNY WAMPLER: And you'll correct that with a refiling?

LESLIE K. ARRINGTON: Yes.

BENNY WAMPLER: Yes. Other questions from members of the Board?

BILL HARRIS: Mr. Chairman.

BENNY WAMPLER: Mr. Harris.

BILL HARRIS: Just a short question. Have you noticed any decrease in production from wells? I mean, most...you know, all of the graphs that we see always show increases. Have there been cases where there has just been just a marginal improvement or none at all?

LESLIE K. ARRINGTON: Maybe marginal, but I don't...I'm not aware of any decrease.

BILL HARRIS: Yeah. I was just curious to see if that trend followed. Thank you.

BENNY WAMPLER: Do you...what do you anticipate as far as the life of the well?

LESLIE K. ARRINGTON: Well, I was originally at 30

years. The guys now are estimating it to be longer now.

BENNY WAMPLER: Actually longer rather---.

LESLIE K. ARRINGTON: Yes.

BENNY WAMPLER: ---rather than shortening the period of time.

LESLIE K. ARRINGTON: They're estimating longer lives for a well.

BENNY WAMPLER: For the two wells in the unit?

LESLIE K. ARRINGTON: Yes.

BENNY WAMPLER: Other questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Mr. Wilson, do you have anything further?

BOB WILSON: No, sir.

BENNY WAMPLER: Is there a motion?

MARY QUILLEN: Motion to approve.

PEGGY BARBAR: I'll second.

BENNY WAMPLER: Motion is second. Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying yes.

(All Board members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. The next item on the agenda is a petition from CNX Gas Company, LLC for pooling of coalbed methane unit A-19. This is docket number VGOB-06-0718-1666. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

MARK SWARTZ: Mr. Chairman, Mark Swartz. We apparently also have a notice issue, Anita tells me, on this one. So, we need to continue A-19.

BENNY WAMPLER: No others to appear, that matter is continued. Next is a petition from CNX Gas Company, LLC for pooling of coalbed methane unit G-9. This is docket number VGOB-06-0718-1667. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

MARK SWARTZ: Mark Swartz and Les Arrington.

BOB WILSON: Mr. Chairman.

BENNY WAMPLER: Mr. Wilson.

BOB WILSON: This particular item is, of course, a pooling. There was an objection filed to this permit application for this unit with the Division of Gas and Oil. The only viable objection that was filed had to do with the

correlative rights of the individuals, a possible infringement on mineral rights and that sort of thing. That objection, as I'm instructed under Section 45.1-361.29...I'm sorry, I've got the wrong citation there. The law requires me to...states that I cannot hear items that are under the jurisdiction of the Board. The correlative rights of these individuals in pooled and in the areas under field rules are under the jurisdiction of the Board. So, I have referred that objection to this hearing. The permit was held pending the outcome of the pooling hearing.

BENNY WAMPLER: And do you have the names of the objecting parties?

BOB WILSON: Yes, the objections were filed on behalf of Michael G. and Sandra McGlothlin.

BENNY WAMPLER: All right. The record will show no others. You may proceed, Mr. Swartz.

LESLIE K. ARRINGTON

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. You need to state your name for us again.

A. Leslie K. Arrington.

Q. I'll remind you that you're still under oath.

A. Yes.

MARK SWARTZ: I'd like to incorporate Mr. Arrington's testimony from the first three pooling hearing regarding the applicant and operator regarding standard lease terms and regarding his employment.

BENNY WAMPLER: That will be incorporated.

Q. Les, who is the respondent here?

A. Michael McGlothlin.

Q. Okay. What did you do to notify him and others that there would be a hearing today?

A. Well, we've mailed that package three times now. We mailed it by certified mail return receipt requested on June the 16th, which was returned and June the 27th which was returned. We then noticed that the address may have not been proper. We, again, mailed it on July the 10th and to this point is unclaimed.

Q. Okay. And then what else did you do?

A. We published in the Bluefield Daily Telegraph on June the 21st...on June the 21st, 2006 in the Bluefield Daily Telegraph.

Q. Okay. And have you filed proofs of publication and certificates with regard to the mailings that you've attempted with Mr. Wilson?

A. Yes, we have.

Q. Okay. What interests---?

BENNY WAMPLER: Let me interrupt you just one second. Do you have his mailing address?

BOB WILSON: Yes, sir. The initial address that was used on here, I believe, was P. O. Box 950, Grundy, Virginia. The last mailing went to P. O. Box 810, Grundy, Virginia. That last notification was sent out on July 10.

BENNY WAMPLER: Was it received?

BOB WILSON: No, sir. It has not been claimed, I think, would be the---.

LESLIE K. ARRINGTON: Right.

BENNY WAMPLER: 810 is what we have in the records here. The other one was 950?

BOB WILSON: Yes, sir. The original mailing address was Box 950.

LESLIE K. ARRINGTON: 950 was the wrong address.

BENNY WAMPLER: Okay. All right. And when did you notice go out---?

LESLIE K. ARRINGTON: The first notice?

BENNY WAMPLER: ---to the 810?

SHARON PIGEON: To the correct address.

LESLIE K. ARRINGTON: The correct address, the 10th...July the 10th.

BENNY WAMPLER: Okay. Do we have a notice issue?

DONNIE RATLIFF: Mr. Chairman.

BENNY WAMPLER: Mr. Ratliff.

DONNIE RATLIFF: When Mr. McGlothlin notified you, did he do that by mail?

BOB WILSON: His attorney notified me by mail of the objection to the permit application, yes. This was actually prior to this being placed on the Board's agenda.

SHARON PIGEON: Did you notify them directly that this was going to be referred to the Board?

BOB WILSON: Yes. I notified that it was going to be directly referred to the Board. I did not notify them of the time and place that notification was still to be supplied by the applicant.

BENNY WAMPLER: Well, what we're questioning here before we get in to it is whether or not we have a notice issue. If it went out July the 10th, we've got a notice issue. So, I'm inclined to---.

MARK SWARTZ: We'll just continue it until next month.

BENNY WAMPLER: I'm inclined to continue this until next time.

BOB WILSON: I might add that the...one of the condition referring the objection to the Board is that the permit does not get issued until the situation is rectified

either here or by voluntary agreement.

BENNY WAMPLER: The next item on the agenda is a petition from CNX Gas Company, LLC for pooling of coalbed methane unit P(-2) and this is docket number VGOB-06-0718-1668. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

MARK SWARTZ: Mark Swartz and Les Arrington.

BENNY WAMPLER: The record will show no others.
You may proceed.

LESLIE K. ARRINGTON

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Les, you need to state your name again.

A. Leslie K. Arrington.

Q. I'll remind you that you're under oath.

A. Yes.

MARK SWARTZ: Mr. Chairman, I'd like to incorporate Les' testimony with regard to the applicant, operator, standard lease terms and his employment.

BENNY WAMPLER: That will be incorporated.

Q. This is another situation involving Carol and Mark Welch, correct?

A. Yes, it is.

Q. Okay. And this one is not a repooling, they have not been pooled in this unit before?

A. That's correct.

Q. Okay. What kind of unit is this?

A. It's an Oakwood 80 acre.

Q. And how many wells are you proposing to drill here?

A. One.

Q. And is it in the window?

A. Yes.

Q. Okay. What did you do to notify the Welches and others that there would be a hearing today?

A. We mailed by certified mail return receipt on June the 16th, 2006 and published in the Bluefield Daily Telegraph on June the 22nd, 2006.

Q. Have you filed proofs in that regard with Mr. Wilson?

A. Yes, we have.

Q. Do you want to add any respondents today?

A. No.

Q. Do you want to dismiss either of the Welches?

A. No.

Q. Okay. The...what have you been able...what

interests have you been able to acquire in this unit?

A. We have 99.1172% of the coal, oil and gas owner's claim to coalbed methane. We're seeking to pool 0.8828% of the coal, oil and gas owner's claim to coalbed methane.

Q. Okay. And there's no escrow requirement here?

A. No.

Q. Okay. What is the proposed...what is the well cost estimate?

A. \$256,884.50 to a depth of 2556. The permit number is 5763 and the well is drilled.

Q. Is it your opinion that the plan disclosed by the application and related exhibits to drill one frac well in the drilling window in this unit is a reasonable plan to develop the coalbed methane?

A. Yes, it is.

Q. And if we combine your leasing activities with a pooling order with regard to the Welches, have you then touched all of the basis with regard to protecting correlative rights?

A. Yes, we have.

MARK SWARTZ: That's all I have.

BENNY WAMPLER: Questions from members of the

Board?

BILL HARRIS: Mr. Chairman.

BENNY WAMPLER: Mr. Harris.

BILL HARRIS: Just a quick informational question. I'm just curious about the unit designation. I noticed that this and several others have a parenthesis and then a---.

LESLIE K. ARRINGTON: Yes.

BILL HARRIS: ---dash and a number. Could you tell us about that?

LESLIE K. ARRINGTON: Yes. And that's so...because when it goes past zero over into the negative area---.

BENNY WAMPLER: It's like a negative...minus.

LESLIE K. ARRINGTON: Negative...minus numbers on the unit numbers.

BILL HARRIS: Oh, okay.

BENNY WAMPLER: It's actually...I should have called that minus 2.

BILL HARRIS: Right, okay. Okay, yeah, I...yeah, thank you. That's all I needed.

BENNY WAMPLER: Other questions?

(No audible response.)

BENNY WAMPLER: Is there a motion?

MARY QUILLEN: Motion to approve.

PEGGY BARBAR: I second.

BENNY WAMPLER: And second. Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying yes.

(All Board members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. The next item on the agenda is a petition from CNX Gas Company, LLC for pooling or coalbed methane unit P(-3), docket number VGOB-06-0718-1669. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

MARK SWARTZ: Mark Swartz and Les Arrington.

BENNY WAMPLER: The record will show no others. You may proceed.

MARK SWARTZ: You might want to put that together with the next one, Mr. Chairman, P(-4).

BENNY WAMPLER: We'll also call a petition from CNX Gas Company, LLC for pooling of coalbed unit P(-4), docket number VGOB-06-0718-1670. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

MARK SWARTZ: Mark Swartz and Les Arrington.

BENNY WAMPLER: No others, you may proceed.

MARK SWARTZ: Mr. Chairman, I'd like to ask you to incorporate Mr. Arrington's testimony today with regard to the applicant and operator, standard lease terms and his employment.

BENNY WAMPLER: That will be incorporated.

LESLIE K. ARRINGTON

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Les, you need to state your name for us.

A. Leslie K. Arrington.

Q. You're still under oath?

A. Yes.

Q. These two units are both Oakwood I units?

A. Yes, they are.

Q. Both containing 80 acres?

A. Yes.

Q. How many wells in each?

A. One.

Q. And in each case, is that well the proposed well to be located in the drilling window?

A. Yes.

Q. Okay. What did you do to notify the respondents that there would be hearings today in these two units?

A. In both cases, it was mailed by certified mail return receipt requested June the 16th, 2006. In both cases, it was published in the Bluefield Daily Telegraph on June the 22nd, 2006.

Q. Have you filed proofs in that regard with Mr. Wilson?

A. Yes, we have.

Q. Okay. What interests have you acquired in these two units and what interests are you proposing to pool and take it in either order, but be sure to identify the unit?

A. Okay. P(-3) we have 89.8657% of the coal, oil and gas owners interest leased. We're seeking to pool 10.1343% of the coal, oil and gas owner's claim to coalbed methane. P(-4) we have 98.875% of the coal, oil and gas owner's claim to coalbed methane leased. We're seeking to pool 1.125% of the coal, oil and gas owner's claim to coalbed methane.

Q. In both of these units, there is no escrow requirement?

A. That's correct.

Q. Okay. Would you cover your well cost estimates, depth estimates and whether or not there are permits?

A. Yes. P(-3) is \$237,134.15 to a depth of 2568. P(-4) is \$242,531.85 to a depth of 2592.

Q. Okay. You don't have permit numbers for either one of them yet?

A. No.

Q. Okay. Is it your opinion that drilling one frac well in the drilling window of both of these units is a reasonable way to produce the coalbed methane gas from these units?

A. Yes, it is.

Q. And is it your opinion that if you combine a pooling order pooling the folks identified as respondents in these two applications with your leasing...your successful leasing efforts, all of the correlative rights of all of the claimants will be protected?

A. Yes, it is.

MARK SWARTZ: That's all I have.

BENNY WAMPLER: Questions from members of the

Board?

(No audible response.)

BENNY WAMPLER: Is there a motion?

PEGGY BARBAR: Motion to approve.

MARY QUILLEN: Second.

BENNY WAMPLER: And second. Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying yes.

(All Board members signify by saying yes, but Donnie Ratliff.)

BENNY WAMPLER: Opposed, say no.

DONNIE RATLIFF: I abstain, Mr. Chairman.

BENNY WAMPLER: One abstention, Mr. Ratliff. You have approval. The next item on the agenda is a petition from CNX Gas Company, LLC for pooling of coalbed methane unit AX-96. This is docket number VGOB-06-0718-1671. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

MARK SWARTZ: Mark Swartz and Les Arrington.

BENNY WAMPLER: The record will show no others. You may proceed.

MARK SWARTZ: I'd like to ask you to incorporate,

if you would, Mr. Arrington's testimony today with regard to the applicant and operator, standard lease terms that are being offered and his employment.

BENNY WAMPLER: That will be incorporated.

LESLIE K. ARRINGTON

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Les, is this a Middle Ridge unit?

A. Nora.

Q. Nora. How many acres?

A. 58.78.

Q. How many wells are proposed?

A. One.

Q. We need to change the plat.

BENNY WAMPLER: The plat has got Middle Ridge.

A. Yeah.

Q. Okay. So, we need file an amended one in that regard. Proposing one well, where is that well proposed to be located with regard to the window?

A. Within the window.

Q. Within the window, okay. What did you do to notify the respondents that you have indicated in Exhibit B-3?

A. Mailed by certified mail return receipt requested June the 16th, 2006 and published in the Bluefield Daily Telegraph June the 24th.

Q. And have you filed proofs in that regard with Mr. Wilson?

A. Yes, we have.

Q. Do you want to add any respondents or dismiss any today?

A. No.

Q. What interests have you been able to acquire and what are you seeking to pool?

A. We...we have 53.6407% of the coal, oil and gas owner's claim to coalbed methane. We're seeking to pool 46.3593% of the coal, oil and gas owner's claim to coalbed methane.

Q. Okay. What's your well estimate with regard to costs, depth and whether or not you have a permit number?

A. It's \$247,510.01. The depth is 2522.29. The permit number is 7147.

Q. Is there an escrow requirement here?

A. No.

Q. Is it your opinion that drilling one frac well in this Nora unit is an appropriate way to develop the

coalbed methane gas from within and under this unit?

A. Yes, it is.

Q. And is it your opinion that if you combine the leasing activities and acquisition activities of the applicant with a pooling order, that the correlative rights of all owners and claimants will be protected?

A. Yes.

MARK SWARTZ: That's all I have, Mr. Chairman.

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Is there a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

BENNY WAMPLER: Motion to approve and a second.

Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying yes.

(All Board members signify by saying yes, except Donnie Ratliff.)

BENNY WAMPLER: Opposed,, say no.

DONNIE RATLIFF: I abstain, Mr. Chairman.

BENNY WAMPLER: One abstention, Mr. Ratliff. Next

is a petition from CNX Gas Company, LLC for pooling of coalbed methane unit BJ-109. This is docket number VGOB-06-0718-1672. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

MARK SWARTZ: Mark Swartz and Les Arrington.

BENNY WAMPLER: The record will show no others.
You may proceed.

MARK SWARTZ: Again, I'd like to ask that you incorporate, if you would, Mr. Arrington's testimony today with regard to the applicant, the operator, standard lease terms and his employment.

BENNY WAMPLER: That will be incorporated.

LESLIE K. ARRINGTON

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Les, you need to state your name again.

A. Leslie K. Arrington.

Q. Who do you work for?

A. CNX Gas Company.

Q. What did you do to notify the folks listed in the notice of hearing and in Exhibit B-3 that we were going to have a hearing today?

A. We mailed by certified mail return receipt

on June 16, 2006 and we published in the Bluefield Daily Telegraph on June 24, 2006.

Q. Have you filed proofs with...of publication and your certificates with regard to mailing with Mr. Wilson?

A. Yes, we have.

Q. Do you wish to add any respondents or dismiss any respondents today?

A. No.

Q. This is what kind of unit?

A. Middle Ridge, 58.74 acres.

Q. Okay. How many wells are proposed?

A. One.

Q. Is it a frac well?

A. Yes.

Q. Where is it going to be located?

A. Within the window.

Q. With regard to the well, what's your cost estimate?

A. \$286,205.83 to a depth of 2,661.45 feet. The permit number is 7086.

Q. What interests have you acquired and what are you seeking to pool?

A. We've acquired 99.8194% of the coal, oil

and gas owner's claim to coalbed methane. We're seeking to pool 0.1806% of the coal, oil and gas owner's claim to coalbed methane.

Q. I'd like you to turn for a moment to Exhibit B-3, just to point this out to the Board, although I'm assuming that they're already noticed this. We have truly inestimable interest here, some of which even going up to ten decimals or so. It doesn't even begin to show a real number.

A. That's correct.

Q. Okay. But in any event, they have claims?

A. They do.

Q. Okay. And that...their claims are within the 1.806% that you're pooling?

A. Yes.

Q. Okay. Are there escrow requirements here?

A. Yes.

Q. And for what reasons?

A. For the conflicting claims and for unknowns.

Q. Okay. And is there also a title issue?

A. Yes, there is.

Q. So, really there are three reasons for escrow. First, the traditional conflicting claims between

gas owners and coal owners---?

A. Yes.

Q. ---we've got some unknown addresses?

A. Yes.

Q. ---and in addition there is a title dispute or title issue, which would require a resolution that also would dictate escrow?

A. That's correct.

Q. Okay. Is it your opinion that drilling one frac well in this Middle Ridge unit in the drilling window is a reasonable way to develop the coalbed methane in and under this unit?

A. Yes, it is.

Q. And is it your further opinion that if you combine your leasing efforts of 99 plus percent with this pooling order you will have, in effect, protected the correlative rights of all owners and claimants?

A. Yes.

MARK SWARTZ: That's all I have, Mr. Chairman.

BENNY WAMPLER: Questions from members of the Board?

BILL HARRIS: Mr. Chairman.

BENNY WAMPLER: Mr. Harris.

BILL HARRIS: Mr. Arrington, I have just a couple

of questions. One is on the...well, it relates to the B-3. But if you would turn to Exhibit E and look at page one of eight on Exhibit E. I have a question about your note about Fred Gant. Under Number One there, coal fee ownership. It says, "Fred Gant retained his one-eighteenth interest in the CBM." But then you continue that sentence or the next sentence, "There is no conflict here. Pay G.R.P. seventeen and eighteenth and Fred and then there's an open parenthesis." Could you maybe tell us what is happening there? Gant instead of Gent. I guess it's Gant.

MARK SWARTZ: Okay. Anita needs to be sworn then.

(Anita Duty is duly sworn.)

ANITA DUTY: In this particular tract, that note doesn't apply. That's...that's a mistake.

BILL HARRIS: So...so, we need to---.

MARK SWARTZ: Just draw a line through it. Is that---?

BILL HARRIS: Draw a line through it, is that right?

ANITA DUTY: Yeah.

MARK SWARTZ: Okay.

ANITA DUTY: Because that is a uni...that is a unique tract there with that one fifty-fourth conflict. That doesn't note doesn't apply there.

BILL HARRIS: I guess, you're not going to tell me what it would have said had it been complete. I guess he would have gotten the other one-eighth interest.

ANITA DUTY: Well, on a different tract that he owns since that is Gent Royalty Partners, he still has an interest in that as---.

BILL HARRIS: So, the seventeen, eighteenth/one eighteenth split would apply there---?

ANITA DUTY: Right.

BILL HARRIS: ---but not here?

ANITA DUTY: Right.

BILL HARRIS: The other question is I notice that we talked about the zero percentage even out to ten decimal places. What happens when it does come payout time to those folks? Is there...is there a minimum amount that's allowed or required or what happens? These interest values one...what is this? Twenty-one thousand seven hundred eighth.

LESLIE K. ARRINGTON: Yes.

BILL HARRIS: Five hundreds of an acre.

LESLIE K. ARRINGTON: Yes. We'll just have to calculate it for what it is.

MARK SWARTZ: Well, I'm not sure that that's the answer. I think the answer is that these people are going

to have to work that out among themselves to get the money out of escrow. I mean, you know, if the other issues go away, they're going to have to agree on something to come out because...I mean, we don't have a number.

BILL HARRIS: I don't...yeah, I'm not sure what you could do.

MARK SWARTZ: Now, some of the people...I mean, when you get to the next page actually, you know, we're reporting an interest that could be calculated.

BILL HARRIS: Yes. Yeah, I noticed.

MARK SWARTZ: But I think for the folks that we were showing zeros going out in the distance, I think they're going to have to make some arrangement of agreement. I don't know what else to do, Mr. Harris, I mean, in that regard.

BILL HARRIS: Yeah, yeah. I was just curious as to how that was handled, if there were a minimum payment allocated---.

MARK SWARTZ: No, there's a minimum payment...there were minimum payments in terms of royalties internally that we tried---.

LESLIE K. ARRINGTON: (Inaudible.)

MARK SWARTZ: If it's less than \$5, we pay what---
?

LESLIE K. ARRINGTON: 25.

MARK SWARTZ: Less than \$25. Is it once a year?

LESLIE K. ARRINGTON: Yes.

MARK SWARTZ: But this setting, this is an escrow setting. We don't have some minimum rule here, that I'm aware of.

BILL HARRIS: I was just curious. Thank you.

MARK SWARTZ: That's fair enough.

BENNY WAMPLER: One other question on E. The first page, again, of that one of eight, is the note at the very top then applicable, "Only one fifty-fourth interest is clouded."?

ANITA DUTY: That's...that's a good note.

BENNY WAMPLER: Okay. We'd ask you to refile E without the other note. Other questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Is there a motion?

MARY QUILLEN: Motion to approve.

PEGGY BARBAR: Second.

BENNY WAMPLER: Motion and a second. Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying

yes.

(All Board members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. The next item on the agenda is a petition from CNX Gas Company, LLC for disbursement of funds from escrow and authorization for direct payment of royalties on Tracts 1C, 1D and 1F of unit W-35. This is docket number VGOB-98-0324-0627-04. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

MARK SWARTZ: Mark Swartz and Anita Duty.

BENNY WAMPLER: The record will show no others.

You may proceed.

ANITA DUTY

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Anita, you need to state your name for us, please?

A. Anita Duty.

Q. Who do you work for?

A. CNX Gas Company.

Q. What do you do for them that has something

to do with what we're talking about this morning?

A. I monitor the accounts and make sure that any money that we have sent in is...actually shows up on the bank's records.

Q. Okay. With regard to this first application for disbursement concerning W-35, what records did you review to...before coming here today to satisfy yourself as to whether or not the records agreed?

A. I compared the check amounts that were sent in from our lease management people with the deposits that were in the escrow accounts to make sure that everything reconciled.

Q. Okay. And when you compared your payment records to the bank's deposit records essentially---?

A. Right.

Q. ---could you tell the Board whether or not they were agreement?

A. They were.

Q. Okay. The tracts that we're dealing with today, are they identified on Exhibit A to this application?

A. Yes.

Q. Okay. And they're 1B, 1C, 1D, 1E, 1F, 1G and 1H?

A. Those are all the tracts that are

remaining.

Q. Okay. And we're not necessarily dealing with those?

A. Right.

Q. Okay. Which ones are we talking about disbursing from? Are those the ones that are listed on the first page of the application?

A. Yes. 1C, 1D and 1F.

Q. Okay. So, three out of those tracts, 1C, 1D and 1F are the ones we're talking about?

A. Yes.

Q. Okay. So this escrow account will have funds in it after these disbursements?

A. Yes.

Q. Okay. You've got a percentage column and you've got a dollars and cents column. If and when a disbursement is approved and made, which column should the escrow agent be directed to use in making the payments?

A. The percent of escrow.

Q. Okay. Is this balance as of a particular date?

A. June the 16th.

Q. Okay. And we can assume, I think, that the dollar amounts here as of date will differ whenever

this...these disbursements are made?

A. Yes.

Q. And that's the reason for the percentage?

A. Yes.

Q. Okay. Are you also asking the Board that in the event these disbursements are made or this disbursement is approved that the operator be allowed to pay the people identified as receiving these disbursements and with regard to those interests directly as opposed to continuing to escrow those funds?

A. Yes.

Q. Okay. These people that you've identified as eligible for disbursements is the reason because they have entered into split agreements?

A. Yes.

Q. And are those agreements in writing?

A. Yes.

Q. And do they proved for a 50/50 split as indicated in your second to the last column?

A. Yes.

Q. And do your percentages also reflect a 50/50 split?

A. Yes.

MARK SWARTZ: That's all I have, Mr. Chairman.

BENNY WAMPLER: Questions from members of the Board?

BOB WILSON: Mr. Chairman.

BENNY WAMPLER: Mr. Wilson.

BOB WILSON: Did we get an accounting for this disbursement?

ANITA DUTY: Like the whole sheet?

BOB WILSON: Yes.

ANITA DUTY: I can send it to you.

BOB WILSON: The balance.

ANITA DUTY: I can...I didn't...I haven't been doing one lately. I've been doing it this way, but I can send it to you.

BOB WILSON: I think we've...didn't the Board decide that we needed to have an accounting---?

BENNY WAMPLER: Have a balance on it.

BOB WILSON: ---for these going forward?

BENNY WAMPLER: A balance. These three are the only ones that would be paid out.

BOB WILSON: Right.

BENNY WAMPLER: Then it will be directly paid after today's hearing.

MARK SWARTZ: Correct.

BENNY WAMPLER: Well, after the date...what date

is this?

MARK SWARTZ: Well, some money may have come in though---.

BENNY WAMPLER: The balance as of 6---.

MARK SWARTZ: Well, there may be more money already. So, they're going to use a percent to disburse what they may have when they make the disbursement.

BENNY WAMPLER: When they make the disbursement.

MARK SWARTZ: But we can stop making addition payments in is what you're saying.

BENNY WAMPLER: Okay. All right. Questions from members of the Board?

MARK SWARTZ: Do you follow that?

(No audible response.)

MARK SWARTZ: Tell the royalty people to stop paying on those.

ANITA DUTY: No, we can't do that.

MARK SWARTZ: Why not?

ANITA DUTY: Because that messes it up. Because if they stop paying---.

MARK SWARTZ: Oh, right. Yeah. No, we've got to do it as of the date of disbursement because otherwise the percentage is not going to work.

ANITA DUTY: We've already had that happen before.

MARK SWARTZ: Yeah, I was thinking that we need...yeah...no, we need to...we need to do it all at one time. So, when the order goes out, that needs to be the direction to the escrow agent and the direction to us because otherwise the percentage of escrow will change and it won't work.

BENNY WAMPLER: Right.

LESLIE K. ARRINGTON: Yeah.

BOB WILSON: We have tried to establish communications here such that when we are notified that the payment has been made by the escrow agent, we notify these folks and they can notify their accounting to seize payment as of that date.

BENNY WAMPLER: Into escrow and then thereafter pay directly to the claimant.

BOB WILSON: Right. Exactly, right.

BENNY WAMPLER: I will check...it was just brought to my attention on the plat that we've got 0627-01. I know you copied to show---.

ANITA DUTY: I just used the last one that we had filed.

BENNY WAMPLER: Yeah.

MARK SWARTZ: I think we need to stay with that.

BENNY WAMPLER: I'm sorry?

MARK SWARTZ: I think that was an original exhibit in that proceeding. I don't think we need to be changing that number.

BENNY WAMPLER: I don't...I don't either.

MARK SWARTZ: Okay. I mean, I just---.

BENNY WAMPLER: I'm just asking for clarification.

MARK SWARTZ: No problem. No problem. But that's why it is what it is.

(Sharon Pigeon confers with Benny Wampler.)

BENNY WAMPLER: Yeah, I guess the question is the 01 correct or should it just be the one that has the 0627? Are you just using this as---?

ANITA DUTY: It was repooled.

MARK SWARTZ: It was repooled. So---.

BENNY WAMPLER: Okay. All right. All right.
Other questions or comments?

(No audible response.)

BENNY WAMPLER: Is there a motion?

DONNIE RATLIFF: I move to approve, Mr. Chairman.

BENNY WAMPLER: Motion to approve.

BILL HARRIS: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying

yes.

(All Board members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. The next item on the agenda is a petition from CNX Gas Company, LLC for disbursement of funds from escrow and authorization for direct payment of royalties on Tract 2B of unit FF-23. This is docket number VGOB-99-0216-0709-01. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

MARK SWARTZ: Mark Swartz and Anita Duty.

BENNY WAMPLER: The record will show no others.
You may proceed.

ANITA DUTY

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. You need to state your name for us.

A. Anita Duty.

Q. Who do you work for?

A. CNX Gas.

Q. What do you do for CNX Gas that pertains to

this application?

A. Make sure that the escrow account is maintained.

Q. Okay. What records, if any, did you review to prepare the exhibit that you've submit with this application and to come here today?

A. I compared the check amounts that were sent in on the owner's behalf of the bank ledger sheets to make sure that they were correct.

Q. Okay. And when you made that comparison, what did you determine?

A. That everything balanced.

Q. Okay. And is the balance as of a date reflected on your Exhibit A?

A. Yes. This one is May the 31st.

Q. Okay. And so as of May the 31st, the records that you have with regard to checks you sent and the bank's records with regard to deposits that they received were in agreement?

A. Yes.

Q. Okay. And the tract that you're seeking a disbursement from is what, 2B?

A. Yes.

Q. So that money will remain in this escrow

account even after this disbursement?

A. Yes.

Q. And is the reason for the disbursement because Hugh McRae, Torch Coal and Consolidation Coal Company have reached a split agreement?

A. Yes.

Q. Is that agreement in writing and signed by them?

A. Yes.

Q. Is it a 50/50 agreement?

A. Yes.

Q. Okay. And you've reflected the percentage that ought to come out...the percentage of the total escrow that ought to come out of escrow when the payment is made by the escrow agent?

A. Yes.

Q. And what's that percentage?

A. 17.4973 to each owner.

Q. Okay. And the dollars are simply to illustrate if that had happened on May the 31st that would have been what they would have received?

A. Yes.

Q. And you would expect that the amount would be different as we go forward?

A. Yes.

Q. At the time the escrow agent makes the disbursement, is it your request that you be allowed to stop paying these folks directly...stop paying their money into escrow and start paying them directly?

A. Yes.

MARK SWARTZ: Okay. I think that's all I have, Mr. Chairman.

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Is there a motion?

BOB WILSON: Once, again, Mr. Chairman, we'd like a detailed accounting.

BENNY WAMPLER: Right. Do you agree to do that?

ANITA DUTY: Yes.

DONNIE RATLIFF: I move to approve, Mr. Chairman.

BENNY WAMPLER: Motion to approve. Is there a second?

BILL HARRIS: Second.

BENNY WAMPLER: All in favor, signify by saying yes.

(All Board members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Thank you.

MARK SWARTZ: Thank you all.

BENNY WAMPLER: Do you all want a five minute or
do you want to keep going?

SHARON PIGEON: Yes, sir.

BENNY WAMPLER: A five minute break.

(Break.)

BENNY WAMPLER: The next item on the agenda is a
petition from Equitable Production Company for pooling of
coalbed methane unit VC-502915. This is docket number VGOB-
06-0718-1674. We'd ask the parties that wish to address the
Board in this matter to come forward at this time.

JIM KAISER: Mr. Chairman, Jim Kaiser and Don Hall
on behalf of Equitable Production Company. Before we get
started, I'm wondering if we might...one other little matter
of housecleaning. Equitable has items nineteen through
twenty-five and then we filed one late for this docket after
we had filed these other ones, which goes all the way down
to number thirty-two. I'm wondering if we might move that
one up to twenty-five and then make the miscellaneous
petition for increased density drilling twenty-six.

BENNY WAMPLER: Which one are you wanting to move?

JIM KAISER: I want to...I'd like to move thirty-

two up to right after---.

BENNY WAMPLER: Twenty-six?

JIM KAISER: Yes...yes, sir. Well, it would actually be twenty-five, I guess.

BENNY WAMPLER: Okay. We can handle that. Okay, the record shows no others. You may proceed.

JIM KAISER: The first four that we have today...the first four poolings, which would be items 1674 through 1677 are all Yellow Popular units. So, we'll, I guess, maybe go through all the testimony the first time and then incorporate it---.

BENNY WAMPLER: Okay.

JIM KAISER: ---for the other three if that's all right with the Board.

BENNY WAMPLER: That's fine.

JIM KAISER: Mr. Hall, if you would state your name for the record, who you're employed---.

COURT REPORTER: Don, raise your right hand.

JIM KAISER: Oh, I'm sorry.

(Don Hall is duly sworn.)

DON HALL

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Hall, if you would state your name for the Board, who you're employed by and in what capacity?

A. My name is Don Hall. I'm employed by Equitable Production Company as District Landman.

Q. And do your responsibilities include the land involved here and in the surrounding area?

A. They do.

Q. Are you familiar with the application we filed seeking to pool any unleased interest for EPC well number VC-502915, which was dated June the 16th, 2006?

A. Yes.

Q. Does Equitable own drilling rights in the unit involved here?

A. We do.

Q. Prior to filing the application, were efforts made to contact the respondents and an attempt made to work out a voluntary lease agreement?

A. Yes.

Q. What is the interest of Equitable under lease in the gas estate in this unit?

A. We have 0% in the gas estate.

Q. And the interest under lease to Equitable

in the coal estate?

A. 100%.

Q. And are all the unleased parties set out at Exhibit B-3 to the application?

A. Yes.

Q. Okay. And we do...as we stated earlier, this is a...the gas estate is owned by Yellow Popular in this case?

A. That's correct.

Q. And, again, you've made reasonable and diligent efforts and checked sources to try and identify... identify any shareholders or owners of that corporation?

A. Yes.

Q. Okay. In your professional opinion, was due diligence exercised to locate each of the respondents named?

A. Yes.

Q. Are the addresses set out in Exhibit B to the application the last known addresses for the respondents?

A. Yes.

Q. Are you requesting this Board to force pooled all unleased interest as listed at Exhibit B-3?

A. We are.

Q. Are you familiar with the fair market value of drilling rights in the unit here and in the surrounding area?

A. Yes.

Q. Could you advise the Board as to what those are?

A. We pay a five dollar bonus on a five year term with a one-eighth royalty.

Q. In your opinion, do the terms you've just testified to represent the fair market value of and fair and reasonable compensation to be paid for drilling rights in this unit?

A. They do.

Q. Now, as to any unleased parties, and I guess obviously particular, any shareholders or successors to any interest in Yellow Popular ever located, do you agree that they be allowed the following statutory options with regard to their interest: 1) Participation; 2) a cash bonus of five dollars per net mineral acre plus a one-eighth of eight-eighths royalty; or 3) in lieu of a cash bonus and one-eighth of eight-eighths royalty share in the operation of the well on a carried basis as a carried operator under the following conditions: Such carried operator shall be entitled to the share of production from the tracts pooled

accruing to their interest exclusive of any royalty or overriding royalty reserved in any leases, assignments thereof or agreements relating thereto of such tracts, but only after the proceeds applicable to their share equal, A) 300% of the share of such costs applicable to the interest of the carried operator of a leased tract or portion thereof; or B) 200% of the share of such costs applicable to the interest of a carried operator of an unleased tract or portion thereof?

A. Yes.

Q. Do you recommend that the order provide that elections by the respondents be in writing and sent to the applicant at Equitable Production Company, 1710 Pennsylvania Avenue, P. O. Box 2347, Charleston, West Virginia 25328, Attention: Leslie Smith, Regulatory?

A. Yes.

Q. Should this be the address for all communications with the applicant concerning any force pooling order?

A. It should.

Q. Do you recommend the order provide that if no written election is properly made, then that respondent should be deemed to have elected the cash royalty option in lieu of participation, in other words, deemed to have

leased?

A. Yes.

Q. Should the unleased respondents be given 30 days from the date that they receive the Board order to file their written elections?

A. Yes.

Q. If an unleased respondent elects to participate, should they be given 45 days to pay for their proportionate share of actual well costs?

A. Yes.

Q. Does the applicant expect any party electing to participate to pay in advance that party's share of actual completed well costs?

A. We do.

Q. Should the applicant be allowed a 120 days following the recordation date of the Board order and thereafter annually on that date until production is achieved, to pay or tender cash bonus or delay rental becoming due under the force pooling order?

A. Yes.

Q. Do you recommend that the order provide that if a respondent elects to participate but fails to pay their proportionate share of well costs, then that election to participate should be withdrawn and void and such

respondents should be treated as deemed to have leased, as if no initial election had ever been filed under the order?

A. Yes.

Q. Do you recommend that the order provide that where a respondent elects to participate but defaults in regard to the payment of well costs, any cash sum becoming payable to that respondent be paid within 60 days after the last date on which that respondent could have paid those well costs?

A. Yes.

Q. In this particular case, the Board does need to establish an escrow account---?

A. That's correct.

Q. ---as depicted---

A. Exhibit e.

Q. ---at Exhibit E covering Tract 1, correct?

A. That's correct.

A. Who should be named operator under any force pooling order?

A. Equitable Production Company.

Q. And the total depth of this well?

A. 2495 feet.

Q. The estimated reserves?

A. 230 million cubic feet.

Q. Has an AFE been reviewed, signed and submitted to the Board as Exhibit C?

A. It has.

Q. In your opinion, does this AFE represent a reasonable estimate of the well costs?

A. Yes.

Q. Could you state for the Board both the dry hole costs and completed well costs?

A. The dry hole costs is \$126,782 and the completed well costs is \$321,989.

Q. Do these costs anticipate a multiple completion?

A. They do.

Q. Does your AFE include a reasonable charge for supervision?

A. Yes.

Q. In your professional opinion, would the granting of this application be in the best interest of conservation, the prevention of waste and the protection of correlative rights?

A. Yes.

MR. KAISER: Nothing further of this witness, Mr. Chairman.

BENNY WAMPLER: Questions from members of the

Board?

(No audible response.)

BENNY WAMPLER: Is there a motion?

MARY QUILLEN: Motion to approve.

PEGGY BARBAR: I'll second.

BILL HARRIS: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying
yes.

(All Board members signify by saying yes, but
Donnie Ratliff.)

BENNY WAMPLER: Opposed, say no.

DONNIE RATLIFF: I abstain, Mr. Chairman.

BENNY WAMPLER: One abstention, Mr. Ratliff. You
have approval. The next item is a petition from Equitable
Production Company for pooling of coalbed methane unit VC-
535685, docket number VGOB-06-0718-1675. We'd ask the
parties that wish to address the Board in this matter to
come forward at this time.

JIM KAISER: Again, Mr. Chairman, Jim Kaiser and
Don Hall on behalf of Equitable Production.

BENNY WAMPLER: The record will show no others.
You may proceed.

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Hall, are you familiar with the application we filed here seeking to pool any unleased interest in the unit for EPC well number VC-535685, dated June the 16th?

A. Yes.

Q. Does Equitable own drilling rights in the unit involved here?

A. We do.

Q. And, again, is the interest of Equitable under lease in the gas estate 0% and while the interest in the...under lease in the coal estate is a 100%?

A. That's correct.

Q. Are all unleased parties set out in Exhibit B-3?

A. They are.

Q. And, again, you've made reasonable efforts to try to identify any potential successors to Yellow Popular?

A. Yes.

Q. Are you requesting this Board to force pool

all unleased interest as listed at Exhibit B-3?

A. Yes.

Q. Again, are you familiar with the fair market value of drilling right in this unit and the surrounding area?

A. Yes.

Q. Again, advise the Board as to what those are.

A. We pay a five dollar bonus on a five year term with a one-eighth royalty.

Q. In your opinion, do the terms that you just testified to represent the fair market value of and fair and reasonable compensation to be paid for drilling rights

A. They do.

BENNY WAMPLER: Mr. Chairman, at this point, we'd like to incorporate the election option testimony taken previously in 06-0718-1674.

BENNY WAMPLER: That will be incorporated.

Q. Mr. Hall, again, we do need to establish an escrow account for this unit?

A. Yes.

Q. And it will cover...again, it will cover Tract 1?

A. That's correct.

Q. And who should be named operator under any force pooling order?

A. Equitable Production Company.

Q. And what is the total depth for this well?

A. 2,430 feet.

Q. And the estimated reserves for the unit?

A. 230 million cubic feet.

Q. Has AFE has been reviewed, signed and submitted to the Board as Exhibit C?

A. Yes.

Q. In your opinion, does it represent a reasonable estimate of the well costs?

A. It does.

Q. Could you state for the Board both the dry hole and completed well costs for this well?

A. The dry hole costs is \$143,982 and the completed well costs is \$354,173.

Q. Again, do these costs anticipate a multiple completion? Does your AFE include a reasonable charge for supervision?

A. Yes.

Q. In your professional opinion, would the granting of this application be in the best interest of conservation, the prevention of waste and the protection of

correlative rights?

A. Yes.

JIM KAISER: Nothing further of this witness at this time, Mr. Chairman.

BENNY WAMPLER: Questions from members of the Board?

BILL HARRIS: Mr. Chairman.

BENNY WAMPLER: Mr. Harris.

BILL HARRIS: Let me ask a question about the location. I notice that it's in the...that...the boundary area...I meant to ask that on the previous one. Is there a reason why we're not drilling that in the window?

DON HALL: I'm sure there is. Some of these locations are chosen by the coal company and others it's topographic consideration. The...as far as drilling outside the window, those location exceptions are handled through the permitting process. So, I'm---.

BILL HARRIS: Yes. Yes. I was just curious that, you know, there were no contour lines shown. I was just curious about that.

DON HALL: I really couldn't answer that because it's done through the permitting process.

BILL HARRIS: Yeah. The other thing is, could you maybe address the costs here? I know you can't put a dollar

per foot. But, you know, it usually comes close to maybe a \$100 or so a foot when all is said and done and this is just...I'm not saying...I'm not asking you if that's true or not. But I'm just saying over the years it seems to be that way. I notice this...it's quite a bit more. Is it just the type of material that they're drilling through or is there a...I mean, you know, 354 just seems a little high for other...you know, when you look at other 2400 foot wells.

DON HALL: Well, the cost of doing business is continuing to go up as far as---.

BILL HARRIS: I think we've others today though that were less than that.

DON HALL: The cost of pipe and treatments of the wells and so forth are continuing to go up. We have a drilling footage there at \$20 a foot.

BILL HARRIS: Yeah.

DON HALL: Construction...this location \$34,000, which is probably \$10,000 or \$15,000 more than some of the others. Just looking down the---.

JIM KAISER: Pipeline construction.

DON HALL: Pipeline construction is, you know, 3...is almost \$37,000 for pipeline. This is an area where were having to built an infrastructure to get the pipe...there's no pipe in there.

JIM KAISER: It looks like you're having to run about 3,000 feet of pipe.

DON HALL: Right. So, a variety of things that just add up.

BILL HARRIS: Okay. Okay, thank you.

BENNY WAMPLER: Other questions?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

JIM KAISER: Mr. Chairman, we'd ask that the application be approved as submitted.

BENNY WAMPLER: Is there a motion?

MARY QUILLEN: Motion to approve.

PEGGY BARBAR: Second.

BENNY WAMPLER: Second. Any further discussions?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying yes.

(All Board members signify by saying yes, except Donnie Ratliff.)

BENNY WAMPLER: Opposed, say no.

DONNIE RATLIFF: I abstain, Mr. Chairman.

BENNY WAMPLER: Mr. Ratliff abstains. You have approval. Next on the agenda is a petition from Equitable Production Company for pooling of coalbed methane unit VC-

535684. This is docket number VGOB-06-0718-1676. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Mr. Chairman, again, Jim Kaiser and Don Hall on behalf of Equitable Production Company.

BENNY WAMPLER: The record will show no others. You may proceed.

JIM KAISER: Again, this is another Yellow Popular unit.

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Hall, if you could...you are familiar with the application we filed seeking to pool any unleased interest in the unit for EPC well number VC-535684, which was dated June the 16th?

A. Yes.

Q. And, again, as far as to the interest owner within the unit, Equitable has a 100% of the coal estate under lease and 0% of the gas estate under lease?

A. That's correct.

Q. And, again, you made reasonable efforts to identify any successors to the Yellow Popular interest?

A. Yes.

Q. Are you asking the Board to force pool all
unleased interest listed at Exhibit B-3?

A. We are.

Q. And, again, are you familiar with the fair
market value of drilling rights in this unit?

A. Yes.

Q. What are those?

A. A five dollar bonus on a five year term
with a one-eighth royalty.

Q. And do these terms you have testified to,
in your opinion, represent the fair market value and fair
and reasonable compensation to be paid for drilling rights?

A. Yes.

JIM KAISER: Again, Mr. Chairman, we'd ask that
the election testimony taken previously in items 1674 be
incorporated for purposes of this hearing.

BENNY WAMPLER: That will be incorporated.

Q. Again, Mr. Hall, we do need to establish an
escrow account for this unit covering the proceeds from
Tract 1, is that correct?

A. That's correct.

Q. And who should be named operator under any
force pooling order?

A. Equitable Production Company.

Q. And what is the total depth of this well?

A. The total depth is 2460 feet.

Q. And the estimated reserves for the unit?

A. 230 million cubic feet.

Q. Again, an AFE has been reviewed, signed and submitted to the Board as Exhibit C?

A. Yes.

Q. In your opinion, it represents a reasonable estimate of the well costs?

A. Yes.

Q. Would you state the dry hole costs and completed well costs for this well?

A. The dry hole costs are \$130,582 and the completed well costs is \$324,707.

Q. And do these costs anticipate a multiple completion and does your AFE include a reasonable charge for supervision?

A. Yes.

Q. In your professional opinion, would the granting of this application be in the best interests of conversation, the prevention of waste and the protection of correlative rights?

A. Yes.

JIM KAISER: Nothing further of this witness at

this time, Mr. Chairman.

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Is there a motion?

MARY QUILLEN: Motion to approve.

BENNY WAMPLER: Is there a second?

PEGGY BARBAR: Second.

BENNY WAMPLER: Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying yes.

(All Board members signify by saying yes, except Donnie Ratliff.)

BENNY WAMPLER: Opposed, say no.

DONNIE RATLIFF: I'll abstain, Mr. Chairman.

BENNY WAMPLER: One abstention, Mr. Ratliff. You have approval. The next item on the agenda is a petition from Equitable Production Company for pooling of coalbed methane unit VC-537059. This is docket number VGOB-06-0718-1677. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Again, Mr. Chairman, Jim Kaiser and Don Hall on behalf of Equitable Production Company.

BENNY WAMPLER: The record will show no others.

You may proceed.

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Hall, are you familiar with the application we filed seeking to pool the unleased interest in the unit for EPC well VC-537059, dated June the 16th, 2006?

A. Yes.

Q. And, again, in this particular unit, it's our fourth and final Yellow Popular pooling on this particular docket, again, Equitable has a 100% of the coal estate under lease and 0% of the gas estate?

A. That's correct.

Q. And all the unleased parties are set out at B-3?

A. Yes.

Q. Again, you made reasonable efforts to identify successors?

A. Yes.

Q. Are you requesting the Board to force pool all unleased listed at B-3?

A. Yes.

Q. And the fair market value of drilling rights for this unit?

A. We pay a five dollar bonus on a five year term with a one-eighth royalty.

Q. And do the terms you have testified to, in your opinion, represent the fair market value and fair and reasonable compensation to be paid for drilling rights within this unit?

A. It does.

JIM KAISER: Again, Mr. Chairman, we'd ask that the election option testimony from 1674 be incorporated for purposes of this hearing.

BENNY WAMPLER: That will be incorporated.

Q. Mr. Hall, again, we have to establish an escrow account for this unit or the Board does?

A. Yes.

Q. And, again, it will cover all the proceeds from Tract 1?

A. Yes.

Q. And who should be named operator under any force pooling order?

A. Equitable Production Company.

Q. And the total depth of this well?

A. 2476 feet.

Q. And the estimated reserves for the unit?

A. 230 million cubic feet.

Q. Has an AFE has been reviewed, signed and submitted to the Board as Exhibit C?

A. It has.

Q. In your opinion, does it represent a reasonable estimate of the well costs?

A. Yes.

Q. State for the Board both dry hole costs and completed well costs for this well.

A. The dry hole costs is \$135,852 and the completed well costs is \$335,013.

Q. And do these costs anticipate a multiple completion and include a reasonable charge for supervision?

A. They do.

Q. In your professional opinion, would the granting of this application be in the best interests of conversation, the prevention of waste and the protection of correlative rights?

A. Yes.

JIM KAISER: Nothing further of this witness at this time, Mr. Chairman.

BENNY WAMPLER: What was your TD on this, total

depth?

JIM KAISER: 2476.

DON HALL: 2476.

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Is there a motion?

PEGGY BARBAR: Motion to approve.

MARY QUILLEN: Second.

BENNY WAMPLER: Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying yes.

(All Board members signify by saying yes, except Donnie Ratliff.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval.

DONNIE RATLIFF: I'll abstain, Mr. Chairman.

BENNY WAMPLER: Mr. Ratliff abstains. The next item is a petition from Equitable Production Company for pooling of coalbed methane unit VC-536596. This is docket number VGOB-06-0718-1678. We'd ask the parties that wish to address the Board in this matter to come forward at this

time.

JIM KAISER: Again, Mr. Chairman, Jim Kaiser and Don Hall on behalf of Equitable Production Company.

BENNY WAMPLER: I need you to state your name for the record, please.

NORMAN RASNAKE: Excuse me. I got papers on both of them, this one and then the next one.

COURT REPORTER: Your name, sir.

PATSY RASNAKE: Norman Rasnake.

NORMAN RASNAKE: Norman Rasnake. I got papers for 1678 and 1679. Can you join them together that way...the family has not got no papers...never sent them papers...never sent no one else no papers. (Inaudible) company has really give me a run around. I couldn't find out where this place was at---.

BENNY WAMPLER: Well, let me get you to come down and let me get your name.

BENNY WAMPLER: There's seats up here. We'll just spread the microphone out a little bit. One of you can sit up here. We can get all of you seated. We'll pull a mike...get him to pull a microphone up there.

NORMAN RASNAKE: My name is Norman Rasnake.

BENNY WAMPLER: We got your name. Did we get---?

COURT REPORTER: No.

STACY RASNAKE: My name is Stacy Rasnake.

BENNY WAMPLER: Stacy Rasnake, okay.

PATSY RASNAKE: Patsy Rasnake.

BENNY WAMPLER: They're saying it's not good to combine the two. We'll take them one at a time like we've been doing and we'll hear your comments.

NORMAN RASNAKE: Well---.

BENNY WAMPLER: If your comments are the same for one as they are the other, then that's okay too.

NORMAN RASNAKE: All the reason is that the company has been giving a run around. They always send out one set of papers, yet they've got fifty names on it. They never send no one else no papers.

BENNY WAMPLER: Okay.

NORMAN RASNAKE: Since I've been here, everybody has been wanting to look at my papers, so I can't get nothing done but try to show them. We got run out of here for talking because they wanted to find out what was on the paper. This was...we've had a run around here.

BENNY WAMPLER: Okay. We'll try to get to the bottom of it. We'll let them go---.

NORMAN RASNAKE: I'll go back and seat back down there. That's all I was wanting to say.

BENNY WAMPLER: Well, we'll keep you---.

NORMAN RASNAKE: My daughter and my nephew was going to represent here.

BENNY WAMPLER: Okay.

NORMAN RASNAKE: I just had to stick my ten cents worth in.

BENNY WAMPLER: Okay. We'll do that. We've got your two cents worth. Thank you.

NORMAN RASNAKE: Thank you, sir.

BENNY WAMPLER: You may proceed, Mr. Kaiser.

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Hall, do your responsibilities for Equitable include the land involved here and the surrounding area?

A. They do.

Q. Are you familiar with the application we filed seeking to pool an order...to pool any unleased interest in the unit for EPC number VC-536596 dated June the 16th, 2006?

A. Yes.

Q. Does Equitable own drilling rights in the unit involved here?

A. We do.

BENNY WAMPLER: Let me stop you and just say, let's all try to speak up since there's several people in here that---.

JIM KAISER: Okay.

BENNY WAMPLER: ---would be interested in what's going on.

JIM KAISER: Okay.

Q. Prior to filing the application, were efforts made to contact each of the respondents and an attempt made to work out a voluntary agreement regarding the development of the unit?

A. Yes.

Q. What is the interest of Equitable in the gas estate that's under lease at this time?

A. We have 96.53% leased.

Q. And what is the interest under lease in the coal estate to Equitable at this time?

A. We have a 100% of th coal estate leased.

Q. And are unleased parties set out in Exhibit B-3 to the application?

A. Yes.

Q. So, the interest that remains unleased in

the gas estate is 3.47%?

A. That's correct.

Q. And a 100% of the coal estate is leased?

A. That's correct.

Q. Okay. Now, we do have...in this particular unit we do have...maybe some of them, I guess, might be here. In Tract 6, the N. D. Rasnake Heirs Tract, we did have some unknown and unlocateable interest owners, correct?

A. That's right.

Q. Were reasonable and diligent efforts made and sources checked to identify and locate these unknown heirs?

A. Yes.

Q. In your professional opinion, was due diligence exercised to locate each of the respondents named herein?

A. Yes.

Q. Are the addresses set out in Exhibit B to the application the last known addresses for the respondents?

A. Yes.

Q. Are you requesting this Board to force pool all unleased interest listed at Exhibit B-3?

A. Yes.

Q. Are you familiar with the fair market value of drilling rights in the unit here and in the surrounding area?

A. Yes.

Q. Could you advise the Board as to what those are?

A. We pay a five dollar bonus on a five year term with a one-eighth royalty.

Q. In your opinion, do the terms you've testified to represent the fair market value of and fair and reasonable compensation to be paid for drilling rights within this unit?

A. They do.

JIM KAISER: Mr. Chairman, can I incorporate the election testimony?

BENNY WAMPLER: Yes.

JIM KAISER: We'd ask that the testimony taken regarding any election options afforded unleased parties previously given on docket number 1674 be incorporated for purposes of this hearing.

BENNY WAMPLER: Do you agree to that, Mr. Hall?

DON HALL: Yes.

BENNY WAMPLER: It's incorporated.

Q. Now, Mr. Hall, we do have...the Board does

need to establish an escrow account for this unit?

A. That's correct.

Q. That's correct. And it needs to cover the proceeds from Tracts 6, 9, 10, 11 and 12?

A. That's correct.

Q. Okay. And who should be named operator under any force pooling order?

A. Equitable Production Company.

Q. And what is the total depth of this proposed well?

A. 2381 feet.

Q. And the estimated reserves for the life of the unit?

A. 330 million cubic feet.

Q. Has an AFE been reviewed, signed and submitted to the Board as Exhibit C?

A. Yes.

Q. In your opinion, does it represent a reasonable estimate of the well costs?

A. It does.

Q. Could you state for the Board both the dry hole costs and completed well costs for this well?

A. The dry hole is \$143,321 and the completed well costs is \$340,589.

Q. Do these costs anticipate a multiple completion and does your AFE include a reasonable charge for supervision?

A. Yes.

Q. In your professional opinion, would the granting of this application be in the best interest of conservation, the prevention of waste and the protection of correlative rights?

A. Yes.

JIM KAISER: Nothing further of this witness at this time, Mr. Chairman.

MARY QUILLEN: Mr. Chairman.

BENNY WAMPLER: Ms. Quillen.

MARY QUILLEN: Can Mr. Hall repeat the depth of that, please?

DON HALL: 2381 feet.

MARY QUILLEN: Thank you.

BENNY WAMPLER: Any questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Let me ask you on the... specifically on the heirs that are here. The gentleman mentioned the run around. Do you want...can you...have you talked to Mr. Rasnake?

DON HALL: Talked to who?

BENNY WAMPLER: The gentleman that came up here.

DON HALL: I haven't personally. One of the guys that worked for is the one that made the efforts to get a hold of them. I think he was mailed a lease. He got the permit application and he got the application for the force pooling. I think he made several attempts to contact him. He lives in Illinois, I believe. He made several attempts to contact him by phone. The gentleman that did that is here in the event we need to have him testify as to his---.

BENNY WAMPLER: Well, we'll see.

DON HALL: Okay.

BENNY WAMPLER: We'll wait and see. I'll go ahead and let you---.

DON HALL: Okay.

PATSY RASNAKE: Okay. There is more than one heir here. My father is one of them, but some of the children of the some of the other people that are listed, his sisters, Naomi and Celia, their heirs are here. They have passed on, but their heirs are here, but they were located. Some of them live in Virginia, but they were not located to give them copies of the paperwork. So, we were wondering if there was anyway we could get a continuance so they could get the paperwork and get some information we need to know

before any drilling or anything is done on this property...this tract of land.

DON HALL: Excuse me, what was your name?

PATSY RASNAKE: Patsy Rasnake.

DON HALL: Patsy Rasnake.

JIM KAISER: And you're Norman's daughter?

PATSY RASNAKE: Yes, I am.

JIM KAISER: Okay.

PATSY RASNAKE: And my other sister did try to call someone at one of the companies listed on the paperwork and they said they couldn't give her the information and they would call her back, but she never got a call back from them.

BENNY WAMPLER: Are you folks agreeable to a continuance?

PATSY RASNAKE: Because we don't understand what's going on, you know. We never had---.

JIM KAISER: Now, are you an heir to any of these people other than Norman? I mean, Norman is still alive.

PATSY RASNAKE: Yeah, yeah. He's here. But the other ones that are sitting back there.

NORMAN RASNAKE: Yeah, I'm still here. I ain't dead yet.

PATSY RASNAKE: The one sitting next to you is

Stacy. He is an heir to one of the other names on there.

Stacy is an heir to one of them.

JIM KAISER: Are you Stacy?

STACY RASNAKE: Yes.

JIM KAISER: Okay. And you're the heir to one of these people that we're showing as unknown? Obviously, Mr. Rasnake's heirs haven't kicked in yet, Normans.

BENNY WAMPLER: Right.

JIM KAISER: So, we've got him covered.

BENNY WAMPLER: Right.

STACY RASNAKE: My mother is one of the heirs.

DON HALL: What was her name?

STACY RASNAKE: She's sitting right over here, Faye.

MARY QUILLEN: What's her name?

STACY RASNAKE: Faye Rasnake.

JIM KAISER: Okay.

PATSY RASNAKE: It's Carl's wife...Carl Lindbergh Rasnake, his wife is here and that's his son Stacy.

STACY RASNAKE: See this is the problem that we're having. One person out of several here is the only ones that got any information.

JIM KAISER: Well, the only reason that Norman was the only one that got any of this information---

STACY RASNAKE: Well, he paid taxes in the county.

JIM KAISER: Yeah, he was the only we could locate.

STACY RASNAKE: Four or five days ago, I was informed that this hearing was happening and here I am.

DARSEY QUALKENBUSH: We also have heirs of---.

PATSY RASNAKE: Darsey, you have to come over here and get sworn in.

JIM KAISER: Do you know where all of these people live?

DARSEY QUALKENBUSH: Yeah.

STACY RASNAKE: Yes.

BENNY WAMPLER: We've got---.

JIM KAISER: Yeah, I mean, if you know...do you all know where all of these people live?

DARSEY QUALKENBUSH: Yes, sir. There are some heirs here today.

COURT REPORTER: Your name, please.

DARSEY QUALKENBUSH: My name is Darsey Qualkenbush.

COURT REPORTER: Would you spell that last name?

DARSEY QUALKENBUSH: Q-U-A-L-K-E-N-B-U-S-H, D-A-R-S-E-Y.

MARY QUILLEN: And who are you the heir---?

DARSEY QUALKENBUSH: I'm the heir---.

STACY RASNAKE: She's Norman's daughter too.

DARSEY QUALKENBUSH: I'm the heir of Norman Rasnake. I'm his other daughter. We've got two daughters of Norman Rasnake.

MARY QUILLEN: Well---.

BENNY WAMPLER: You're not an heir right now.

MARY QUILLEN: ---but you're not heir because he's still alive.

DARSEY QUALKENBUSH: No, I'm not heir.

PATSY RASNAKE: You're his daughter.

NORMAN RASNAKE: They know they're going to get it.

(Laughs.)

JIM KAISER: Hang in there Norman.

DARSEY QUALKENBUSH: You got me confused, sorry.

JIM KAISER: Is there anybody...can I ask a question, Mr. Chairman, of the heirs?

BENNY WAMPLER: Yes, you may.

JIM KAISER: Is there anybody here that's not one of Norman's heirs or would be one of Norman's heirs?

DARSEY QUALKENBUSH: Naomi has got a daughter here, Naomi Rasnake.

STACY RASNAKE: Faye Rasnake, my mother.

DARSEY QUALKENBUSH: Naomi Rasnake---.

STACY RASNAKE: She's here.

DARSEY QUALKENBUSH: ---has got a daughter here,
Nancy.

MARY QUILLEN: And she is...Naomi is not listed on
here. She is the...whose...whose heir is she?

NORMAN RASNAKE: She is my sister. She's
deceased.

DARSEY QUALKENBUSH: This is Nancy Naomi...Nancy
Naomi. That's her daughter sitting up there.

BENNY WAMPLER: It's the first one under Tract 6.

MARY QUILLEN: Oh, Nancy, okay.

BENNY WAMPLER: Yeah.

DARSEY QUALKENBUSH: She has got an heir here.

JIM KAISER: How about...does anybody know
Virginia Winfred Rasnake?

DARSEY QUALKENBUSH: Yes. But no one---.

PATSY RASNAKE: None of her---.

NORMAN RASNAKE: (Inaudible.)

COURT REPORTER: One at a time.

JIM KAISER: Huh?

NORMAN RASNAKE: She was married to a McCoy and
then she married a (Inaudible).

STACY RASNAKE: She is not here. But she is still

living.

DARSEY QUALKENBUSH: She's not here.

JIM KAISER: You all can tell us where she lives?

STACY RASNAKE: Yes.

BOB WILSON: Mr. Chairman, we're losing the record here.

BENNY WAMPLER: Well, we're going to try...what we're trying to do is---.

DON HALL: I suggest---.

BENNY WAMPLER: That's why I'm saying we probably just need to continue this and let them get the record and, you know, get with the folks and get the information, if that's acceptable.

DON HALL: I suggest that the guy sitting on the corner up there in the light blue shirt, you guys need to get with him right now and give him all the information that they you have---.

DARSEY QUALKENBUSH: Okay.

DON HALL: ---as to the ownership and so forth.

DARSEY QUALKENBUSH: Okay. Yeah.

DON HALL: I guess, we'll continue it.

JIM KAISER: Yeah, if you...if you could take...we'll get you a copy...is any...I guess, Norman has a copy of this exhibit though.

DARSEY QUALKENBUSH: Yeah, he has got...he is the only who has got a copy.

JIM KAISER: What we need you to do is go to Tract 6, which would be on page one and two and go through the one, two, three, four, five, six, seven, eight, nine heirs...nine heirs that we have listed as being unknown and unlocateable and give us all the information you can and then we'll refile it...we'll continue this and refile it and, you know, get notice out to all of those people and then, I guess, we'll have to come back in two months.

BENNY WAMPLER: This matter is going to be continued. If you'll got outside with them and get that worked out, we'd appreciate it.

SHARON PIGEON: Are you going to set this over for thirty days or---?

BENNY WAMPLER: Sixty days.

STACY RASNAKE: Sixty days.

BENNY WAMPLER: Sixty days.

JIM KAISER: Well, I have to. I can't get them all for next month.

BOB WILSON: Mr. Chairman.

BENNY WAMPLER: Yeah, he can't get it next month.

(Don Hall confers with Jim Kaiser.)

STACY RASNAKE: Could we set the date today?

JIM KAISER: Could we do it if we can get them noticed this week? Could we do it next month? I mean, the publication notice covers unknowns.

BOB WILSON: So long as you twenty days of the hearing.

BENNY WAMPLER: If you can get within that, yeah.

JIM KAISER: So, the hearing in August is the 15th. SO, I need to get it out by July the 26th? Yeah, we can do that.

SHARON PIGEON: So, you're thinking you'd be back in thirty days?

JIM KAISER: If you all give us the information today, we'll send the notices out tomorrow.

PATSY RASNAKE: And so you're saying another hearing date would be August the 15th?

JIM KAISER: Yes, ma'am. Rather than September the 18th.

PATSY RASNAKE: Is that fine with everybody?

NORMAN RASNAKE: What's wrong with the 60 day one?

BENNY WAMPLER: I'm sorry?

NORMAN RASNAKE: What's wrong with the 60 day one? I'd like to rest up from this trip before I make another one here.

BENNY WAMPLER: Is that okay?

NORMAN RASNAKE: I have to drive over 600 miles down here.

(Heirs confer with each other.)

PATSY RASNAKE: That would be better.

BENNY WAMPLER: September?

PATSY RASNAKE: Yeah, September.

BENNY WAMPLER: You're going to assured a notice that way.

DON HALL: Well, isn't the paper notice that we've already given sufficient?

BENNY WAMPLER: Well---.

JIM KAISER: They're pushing to get these wells drilled. We'd really like to do it in August if we could. I mean, by the statute and regulation we can...we can, you know, get in accord...we can provide notice in accordance with it.

BENNY WAMPLER: Well, see what you can do.

JIM KAISER: Okay.

MARY QUILLEN: Is he wanting to continue it until August then?

JIM KAISER: Please.

MARY QUILLEN: Okay.

STACY RASNAKE: The 15th, right?

JIM KAISER: Yes, sir. It's always the third

Tuesday.

STACY RASNAKE: The third Tuesday, okay.

JIM KAISER: It will be August the 15th.

BENNY WAMPLER: That's provided you got notice.

JIM KAISER: Right. Provided we get it out by the 26th. We'll submit an affidavit and mail it to the Board.

BENNY WAMPLER: Our Board meetings are always the third Tuesday of each month, okay. So, that's an easy way to find it. You can get the information online through our department or call the Gas and Oil Office.

JIM KAISER: Yeah, it will have the date of the hearing when we send you out the new notice and everything.

BOB WILSON: Mr. Chairman.

BENNY WAMPLER: Mr. Wilson.

BOB WILSON: Before you send these people out, I believe, if I remember correctly, that some of them are involved in this next item as well.

JIM KAISER: Oh, really.

DON HALL: I don't think so.

BOB WILSON: No? Okay. They had indicated earlier that they were involved in both of these.

BENNY WAMPLER: He said he was, Mr. Rasnake.

JIM KAISER: Yeah, he got notice of it.

NORMAN RASNAKE: Norman Rasnake. I'm on two

different ones. I'm in two different ones.

BENNY WAMPLER: Yeah, you wanted it combined. I remember. We didn't do that. But we are going to hear that now. So---.

PATSY RASNAKE: It still says the same VC number at the top. Is that what we have to go by, the VC number at the top?

JIM KAISER: That's a well number.

SHARON PIGEON: It's the VGOB number.

JIM KAISER: Yeah.

BENNY WAMPLER: The next item is a petition from Equitable Production Company for pooling of coalbed methane unit VC-536260. This is docket number VGOB-06-0718-1679. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Mr. Chairman, Jim Kaiser and Don Hall, again, on behalf of Equitable Production Company.

BOB WILSON: Mr. Chairman.

BENNY WAMPLER: Mr. Wilson.

BOB WILSON: While these folks are coming up, we received an objection to the permit application for this operation VC-536260 from Melanie Stevens, who is a Gas and Oil royalty owner. She filed objections alleging infringement upon her gas estate. That objection, again as

earlier, was referred to the Board for handling since this is an area covered by field rules. Unlike the earlier one, Equitable had already filed a petition for pooling of this unit. It was already on the docket when the objection came in. I notified Ms. Stevens that the Board would be hearing this and that the outcome of the permit application would be waiting on the pooling action or a voluntary agreement.

BENNY WAMPLER: Thank you. Did you give her the date and time of the hearing in the notification?

BOB WILSON: I did.

BENNY WAMPLER: Okay. You may proceed.

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Hall, do your responsibilities include the land involved here and in the surrounding area?

A. It does.

Q. Are you familiar with the application Equitable filed seeking a pooling order for EPC well number VC-536260, which was dated June the 16th, 2006?

A. Yes.

Q. Does Equitable own drilling rights in the unit involved here?

A. We do.

Q. Prior to filing the application were efforts made to contact each of the respondents having an interest and an attempt made to work out a voluntary lease agreement?

A. Yes.

Q. And what is the interest under lease within the gas estate to Equitable in this unit?

A. We have 99.61% leased.

Q. And the interest of Equitable under lease in the coal estate?

A. A 100%.

Q. Are all unleased parties set out at Exhibit B-3?

A. They are.

Q. So, the interest that remains unleased in the gas estate is .390%?

A. That's correct.

Q. Now, we do, again in this unit, have some unknown and unlocateable interest owners, is that correct? Oh, no, maybe we don't. No, we don't.

A. No, we don't.

Q. Good, we don't. In your professional opinion, was due diligence exercised to locate each of the

respondents?

A. Yes.

Q. Now, are the addresses set out in Exhibit B to the application, the last known addresses for the respondents?

A. They are.

Q. Are you requesting this Board to force pool all unleased interest listed at Exhibit B-3?

A. Yes.

Q. Are you familiar with the fair market value of drilling rights in the unit here and in the surrounding area?

A. Yes.

Q. Could you advise the Board as to what those are?

A. We pay a five dollar bonus on a five year term with a one-eighth royalty.

Q. In your opinion, do the terms you just testified to represent the fair market value of and the fair and reasonable compensation to be paid for drilling rights within this unit?

A. Yes.

JIM KAISER: As to election options afforded any unleased parties, Mr. Chairman, we'd ask that the testimony

taken in hearing 1674 be incorporated for purposes of this hearing.

BENNY WAMPLER: That will be incorporated. Do you agree to that, Mr. Hall?

DON HALL: Yes.

Q. Mr. Hall, who should be named operator under any force pooling order?

A. Equitable Production Company.

Q. And what is the total depth of this proposed well?

A. It's 2209 feet.

Q. And has an AFE been reviewed signed and submitted to the Board as Exhibit C to the application?

A. Yes.

Q. In your opinion, does it represent a reasonable estimate of the well costs?

A. It does.

Q. Did I ask you the estimated reserves? What are the estimated reserves for this unit?

A. 200 million cubic feet.

Q. And could you state for the Board both the dry hole costs and completed well costs for this well?

A. The dry hole costs is a \$117,062 and the completed well costs \$322,198.

Q. And in this case, we do have some conflicting claims to the coalbed methane. So, the Board needs to establish an escrow account for proceeds attributable to Tracts 3, 4 and 5 in the unit?

A. That's correct.

Q. Now, does your AFE for the costs represented in your AFE anticipate a multiple completion of that, including a reasonable charge for supervision?

A. Yes.

Q. In your professional opinion, would the granting of this application be in the best interest of conservation, the prevention of waste and the protection of correlative rights?

A. Yes.

JIM KAISER: Nothing further of this witness at this time, Mr. Chairman.

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

JIM KAISER: Yes, Mr. Chairman. This might be the first time I've kind of had this occurrence. I guess, an objection to the well that's under field rules. So, this would...if the force pooling application is approved, that

would render that objection mute?

(No audible response.)

JIM KAISER: Okay. We'd ask that the application be approved as submitted, Mr. Chairman.

BENNY WAMPLER: Is there a motion?

MARY QUILLEN: Motion to approve.

PEGGY BARBAR: I second.

BENNY WAMPLER: And second. Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying yes.

(All Board members signify by saying yes, except for Donnie Ratliff.)

BENNY WAMPLER: Opposed, say no.

DONNIE RATLIFF: I'll abstain, Mr. Chairman.

BENNY WAMPLER: One abstention, Mr. Ratliff. You have approval. The next item is a petition from Equitable Production Company for a modification of the Nora Field Rules to allow drilling of an additional well in units---.

JIM KAISER: Remember---.

BENNY WAMPLER: I'm sorry?

JIM KAISER: ---we moved thirty-two up before that one.

BENNY WAMPLER: I'm sorry.

JIM KAISER: That's all right.

BENNY WAMPLER: I thought we did it after twenty-five. Did you say before twenty-five?

JIM KAISER: Yes, sir.

DON HALL: Yes, sir.

BENNY WAMPLER: I believe you said after.

SHARON PIGEON: I think you did to.

JIM KAISER: Well, that's fine with us.

BENNY WAMPLER: But that's okay. If we want to move that, I'll move it. Okay, we're going to the docket number thirty-two then. A petition from Equitable Production Company for pooling of coalbed methane unit VC-536302, docket number VGOB-06-0718-1685. I'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Again, Mr. Chairman, Don Hall and Jim Kaiser on behalf of Equitable Production Company.

BENNY WAMPLER: The record will show no others. You may proceed.

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Hall, do your responsibilities include the land involved here and in the surrounding area?

A. They do.

Q. Are you familiar with the application we filed seeking a pooling order to pool any unleased interest in the unit for EPC well VC-536302, dated June the 16th, 2006?

A. Yes.

Q. Does Equitable own drilling rights in the unit involved here?

A. We do.

Q. Prior to filing the application, were efforts made to contact each of the respondents and an attempt made to work out a voluntary agreement regarding the development of the unit?

A. Yes.

Q. Now, what is the...this is a little interesting, you have to explain this to the Board. What is interest under lease to Equitable in the gas estate in the unit?

A. Depending on whether...we have two overlapped situations here where the property descriptions overlap one another. So, we have to treat that as a separate area. Once there is a determination as to who owns

that overlapped area is made, we either have, depending on the situation with the overlaps, which are in Tracts 3 and 6, we either have 98.6675% leased or 89.24% leased.

Q. And a 100% of the coal estate is under lease to Equitable?

A. That's correct, yes.

Q. So, the portion of the gas estate in the unit that remains unleased to Equitable would be either 1.3325% or 10.76%?

A. That's correct.

Q. Okay. And, again in this particular unit, we do have some unknown owners I believe in Tracts 4, 5 and 6 maybe. Did you make, in your opinion, reasonable and diligent efforts to identify those unknown persons?

A. Yes.

Q. Are the addresses set out in Exhibit B to the application, the last known addresses for the respondents?

A. Yes.

Q. Are you requesting this Board to force pool all unleased interest listed at Exhibit B-3?

A. Yes.

Q. Again, are you familiar with the fair market value of drilling rights for this unit?

A. Yes.

Q. Could you advise the Board as to what those are?

A. We pay a five dollar bonus on a five year term with a one-eighth royalty.

Q. In your opinion, do the terms you just testified to represent the fair and reasonable market value of and the fair and reasonable compensation to be paid for drilling rights within this unit?

A. They do.

JIM KAISER: Mr. Chairman, we'd again ask that the election option testimony taken earlier in 1974 be incorporated for purposes of this hearing.

BENNY WAMPLER: Do you agree to those, Mr. Hall?

DON HALL: Yes.

BENNY WAMPLER: They will be incorporated.

Q. Mr. Hall, the Board does need to establish an escrow account for this unit?

A. We do.

Q. Covering Tracts 3, 4, 5 and 6?

A. That's correct.

Q. And who should be named operator under any force pooling order?

A. Equitable Production Company.

Q. And what is the total depth of this well?

A. 2388 feet.

Q. And the estimated reserves for the unit?

A. 330 million cubic feet.

Q. Has an AFE been reviewed, signed and submitted to the Board as Exhibit C?

A. Yes.

Q. In your opinion, does it represent a reasonable estimate of well costs for this well?

A. It does.

Q. Could you state the dry hole costs and completed well costs for this well?

A. The dry hole costs is a \$128,561 and the completed well costs \$319,073.

Q. And do these costs as represented in the AFE represent...anticipate a multiple completion and include a reasonable charge for supervision?

A. They do.

Q. In your professional opinion, would the granting of this application be in the best interest of conservation, the prevention of waste and the protection of correlative rights?

A. Yes.

JIM KAISER: Nothing further of this witness at

this time, Mr. Chairman.

BENNY WAMPLER: Questions from members of the Board?

BILL HARRIS: Mr. Chairman.

BENNY WAMPLER: Mr. Harris.

BILL HARRIS: Let me ask about the land...the question...what plats are we...I mean, I'm sorry, what...what tracts are we referring to there? I had written note about---.

DON HALL: If you look at the plat, in 3 and 6, do you see where it says "Interlock area there"?

BILL HARRIS: Yes.

DON HALL: 3, depending on the descriptions and these descriptions overlap, are...some people call it overlap and others call it interlock. But, you know, there's a discrepancy as to who owns it. So, in Tract 3 it could be part of Tract 1 and in Tract 6 it could part of also Tract 1 or it could be part of Tract 4 and 5. 4 and 5 are the tracts...let's 4 is the J. M. Rasnake Heirs and 5 is the David Rasnake Heirs. The overlap is between the Rasnake Heirs and Standard Banner in Tracts 3 and 6.

BILL HARRIS: I guess my question is, when you gave the percentages earlier they different 9 and 10%. Is

that the corner of 4 and 5 that's there?

DON HALL: That's because we have...if it's Standard Banner we have it leased. If it's the other parties, we don't have it leased.

BILL HARRIS: Oh...oh, okay, yeah.

BOB WILSON: Mr. Chairman.

BENNY WAMPLER: Mr. Wilson.

BOB WILSON: I'd like to know how you're planning to construct the order under this since it's uncertain as to how much you're actually pooling here.

BENNY WAMPLER: I would think you would have to go to the higher percentage.

DON HALL: Yeah, we would.

BOB WILSON: That what was what was...the only thing that was represented in the---

BENNY WAMPLER: Yeah.

BOB WILSON: ---application was the higher percentage there.

BENNY WAMPLER: Right.

DON HALL: And if we discover later that it's not that way, we'll have to adjust it.

JIM KAISER: Yeah. We've got to error on the side of precaution, obviously.

DON HALL: Yeah.

BOB WILSON: Sure. I just wanted to make sure we were going to get an order for both percentages somehow or another.

DON HALL: We've had...we've had these---.

JIM KAISER: Susan will be calling you, don't worry.

DON HALL: We've had...we've had these overlapped situations before, but we've had both parties leased. In this case, we don't.

BENNY WAMPLER: Right.

DON HALL: So, that's the reason it's a little different.

BENNY WAMPLER: Other questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

JIM KAISER: Mr. Chairman, we'd ask that the application be approved as submitted.

BENNY WAMPLER: Is there a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying

yes.

(All Board members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval.

DON HALL: Thank you all.

DONNIE RATLIFF: There are a Faye McCoy and a Billy Deel that's in this one that was common with the one that you continued. Are they tied to the Rasnake family?

JIM KAISER: No.

DON HALL: It's a different tract.

BENNY WAMPLER: Are you going back to twenty-five now?

JIM KAISER: Yes, sir.

BENNY WAMPLER: We'd call a petition from Equitable Production Company for a modification of the Nora Field Rules to allow drilling of an additional well in units BS-44, BQ-44, BS-43, BS-45, BS-46, BR-43, BP-47, BS-41, B-P42, DR-42, BP-43, BQ-48, BQ-43, BR-41, BQ-42, BQ-47, BR-47, BQ-41, BR-46, BR-45, BR-44. This is docket number VGOB-89-0126-0009-05. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

MARY QUILLEN: Mr. Chairman.

BENNY WAMPLER: Ms. Quillen.

MARY QUILLEN: I have a question on the docket number. In our handout it's 0009, but on the packet it has 009.

BENNY WAMPLER: I saw that also, -05.

MARY QUILLEN: Which one is correct?

BOB WILSON: The four digit number.

BENNY WAMPLER: The four digit number. The one I called.

MARY QUILLEN: The four digit, okay.

BENNY WAMPLER: It's also on your application. You'll need to correct---.

JIM KAISER: We'll have to add a zero.

BENNY WAMPLER: Yes.

BENNY WAMPLER: Okay. The record will show there are no others. You may proceed.

MR. JOHNSON: Your Honor...Your Honor.

BENNY WAMPLER: That's all right.

MR. JOHNSON: Your Honor...Mr. Wampler, I'm here on behalf of Standard Banner Coal Corporation. I'm Donald R. Johnson, attorney in Roanoke, Virginia. With me is Mr. Jim Cartwright, part of the management of Standard Banner Coal Corporation.

JIM KAISER: And, Mr. Chairman, it will be Jim Kaiser and Mike Kovarik on behalf of Equitable Production

Company. I'm going to pass out a bunch of exhibits and that will go along with his testimony.

BENNY WAMPLER: Okay. We'll get him sworn in.

(Mike Kovarik is duly sworn.)

(Jim Kaiser passes out exhibits and Mike Kovarik gets set up to explain the exhibits.)

BENNY WAMPLER: Mr. Johnson, I'm going to, as usual, let them go ahead and present testimony. As they finish their witness, you ask questions.

MR. JOHNSON: Thank you, Mr. Wampler. That will be appropriate and I appreciate it. Thank you.

MIKE KOVARIK

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Kovarik, if you could before I begin your testimony, if you would just go through the...for the Board your educational background and your work experience.

A. As far as my academic background, I have a Bachelors in Chemistry and a Bachelors in Petroleum Engineering from Marietta College in Marietta, Ohio. And I also have an MBA from the University of Tulsa in Tulsa,

Oklahoma. I worked for OxyDent Petroleum for ten years in Tulsa, eight years in the middle of Texas and two years in Bakersville, California mostly as a reservoir engineer. About five years ago, I moved with Equitable in Pittsburgh and I am currently the Director of Reserved Development for Virginia and Kentucky.

JIM KAISER: We're going to start, I guess, the Board has been given a packet of exhibits that will help them follow your testimony in this case. This is an application for increased density drilling. The Board has seen, I guess, gosh, seven or eight of these in the past. This is in the Nora Field. We're going to identify with the first two exhibits that are up on the Board, the area that we're seeking to drill these increased density wells in. It probably would be good to point out first, up front to the Board, that this application was styled a little different than some of the previous ones you've seen from other operators in that we're only asking to be restricted a limitation of 600...a minimum of 600 feet between wells. We're not seeking to be restricted to drill both of the wells within the interior window of the unit because it leads to...in the first application, this is a 5700 acre tract...a 5700 acre lease. We do not...in these first 21 units, we do not have any correlative rights issues. It's

all one royalty owner, Mr. Johnson's client, Standard Banner. So, there is a little difference there in some of the applications that you've...I guess, in all of the applications that you've seen previously. You all probably noted it in your review of the application. But we just wanted to point that out up front to you. With that being said---

BENNY WAMPLER: You may proceed.

JIM KAISER: ---we'll proceed with Mr. Kovarik's testimony.

MIKE KOVARIK: If I can draw your attention...can I get up or should I remain seated?

BENNY WAMPLER: That will be fine. You seem to have a voice that will carry. We'll try and see and we'll let her determine it. So, you move up there and see what you can do with it.

MIKE KOVARIK: I'm only going to be up here for a couple of seconds.

JIM KAISER: He can take one of these with him if he needs to.

BENNY WAMPLER: That's okay. As long as she can hear him. He has got a...he has got a distinct voice.

MIKE KOVARIK: This is...real quick. I'm only going to be up here for a couple of seconds. We've got a

locator map that shows you what part of the world we're in. Our area of interest is outlined in yellow down here in the southern end of Dickenson County in the Nora Field. The Nora Field encompasses this area, basically through Dickenson County. We've got the Oakwood Field and Middle Ridge Fields outlined in blue also, just to get your frame of reference of where they are.

Just to focus in a little bit. Now, this is the same project area that we were discussing before. We've got twenty-one 60 acre CBM units that we would like to drill a second well in, okay. I'd like to focus a little closer also on these two wells here. It would be 6308 and...I'm sorry, I can't read that second well...5892, I believe.

BENNY WAMPLER: 6303.

MARY QUILLEN: 6303.

MIKE KOVARIK: 6303.

BENNY WAMPLER: Yeah. And 892.

MIKE KOVARIK: These wells are of specific interest because they are only 750 feet apart as they are. So, they are mostly closely spaced than any other wells in our project area. We thought that they might be able to tell us a little bit of a story as to what we might be able to expect from wells in this area that are more closely spaced than others.

So...first of all, I'd like to look at the first plat that you have here.

BENNY WAMPLER: Okay. This is Exhibit A that you've been referring to. These others we'll make exhibits.

JIM KAISER: Okay. The next chart that he's getting ready to go over with you labeled "EPC Nora Twenty-One Wells CBM Project Area, Historical Production of Well Count" we'll call Exhibit B.

BENNY WAMPLER: Okay.

MIKE KOVARIK: Do you want me to proceed?

BENNY WAMPLER: Yes, go ahead. I just---.

MIKE KOVARIK: I mean, as far as exhibit letter, we go---?

BENNY WAMPLER: Yes.

MIKE KOVARIK: Exhibit B then is a production plot of the twenty-one wells in the project area, just to give you an idea about the kind of production that we're looking at from these wells. It was developed mainly between 2002 and 2006. There's still some other wells in that area that we're drilling. But in May's production, the last production point there is over two and a half million a day from these twenty-one wells. So, we've got an average of over a hundred and twenty mcf a day from these twenty-one wells. This is a very good area. This is a very prolific

CBM area, a good show of the logs, good thick coals, good permeability. So, we thought this would be a good ideal to start our infill drilling projects here. Let's see, is there anything else I wanted to say about this one? No.

Then Exhibit C would be the EPC Nora CBM infill direct offset well. Again, going back to what I said previously about the two wells that were more closely spaced than others, this...this is the neighborhood around those wells. These are the six wells that produce adjacent to the two wells that are 750 feet apart. If the production characteristics of the closely spaced wells is similar to these neighbors, okay, I would logically conclude that the fact that those two wells are mostly spaced doesn't have any effect on their production characteristics, okay, and then we can extrapolate that to other wells in the area. So, we notice that, again, these wells...what I did was brought the production back to times zero so that all of the wells were producing...started producing are the same time so that we could get a good comparison of them. We can see that the wells produce about a 150 mcf a day. Three of them there in the middle. There's one better well. There's one well to the...that is not as good as the others, but it had pumping problems for the first year and we've got a younger well. So, the bottom line, again, this is just a picture of the

neighborhood. This is what we can expect in that area.

Now, if we go to Exhibit D, it's 5892 and 6303 production plot, okay. We can see that both of these wells produce in the range of 140 to 160 mcf a day, which is a lay down to its neighbors. So, drilling these wells as close as they were had no adverse effect on what we would expect to see. We can also see that 5892 over the last few months production has started to increase about 200 a day.

JIM KAISER: And that's at 750 foot spacing.

MIKE KOVARIK: 750, yeah.

JIM KAISER: Right.

MIKE KOVARIK: Okay. So in Exhibit E, I think the Board has seen this once or twice before. But this is...this is a langmun isotherm that shows the relationship between pressure and gas content in coals such that as we move from the right hand upper edge of the curve down to the lower left hand we notice that as pressure is reduced on the coals, the gas content of the coals becomes less. It becomes less in an increasing fashion. So, again, what we're trying to do with a second well is to lower reservoir pressure so that we will be able to produce more gas from the second well and there has been evidence and (inaudible) evidence and also theoretical evidence that it would have a beneficial effect on the existing well.

BENNY WAMPLER: Let me...let me ask you a question.

MIKE KOVARIK: Yes, sir.

BENNY WAMPLER: You may have heard me ask it earlier today. As far as the life of the well, do you anticipate... what impact do you anticipate on the life of the wells, both wells in the unit?

MIKE KOVARIK: The initial wells at some point, it's probably going to shorten the life of the initial wells. But any incremental gas that is produced from the second well it's probably going to be that gas that would have been produced 30 or 40 or 50 years from now, okay, such that the present value of the gas that is produced today from both wells is going to be higher than it would have been otherwise.

BENNY WAMPLER: And what's your anticipated life of the wells right now?

MIKE KOVARIK: We run our wells...right now, again, the Nora Field is about 16 or 17 years old now and we still have...believe it not, we still have wells that increasing in production. So, how long these wells are actually going to last, you know, we're not sure. But we run our reserve...all the reserve numbers that you'll see for our wells are based on 30 years to life.

BENNY WAMPLER: Go ahead. I'm sorry.

MIKE KOVARIK: That's quite all right. Okay, Exhibit F, is a summary of the results of a reservoir simulation that was done in-house by Equitable a few years ago. You know, the Ramsey Ridge area, which is just to north of what...this is what we call our Middle Fork area. So, the Ramsey Ridge is the basis for the reservoir simulation work. It just to the north of Middle Fork.

If we start with the blue curve at the bottom, again, a reservoir simulation study was done engineers at Equitable...engineers and geologists. The summary sheet that you have here shows estimated ultimate recovery per well that was estimated using the simulation runs on various spacing scenarios. So, if we go to the very right end of the curve, the blue curve, if we look at a 120 on the X axis, on the bottom axis, that's 128 acres. The simulation model predicted that estimated ultimate recovery per well would be on the average of about 430 mcf...no, excuse me, million cubic feet. On 60 acres, for example, estimated recovery would be about 270 million cubic feet. At 40s...on 40s it would be about 200 million cubic feet. Now, the only problem with the study...the major problem with the study is that they didn't do a simulation run for 30 acres. We're asking to go from 60 acre spacing to essentially 30 acre

spacing. So, I extrapolated this straight from these results to get to 30 acres to get an answer for a 30 acre case and that answer would be about 180 mcf a day. Now, at Middle Fork...again this was at Ramsey Ridge, which is a little bit north of where we're...what we're dealing with here. At Middle Fork, we noticed that the production characteristics from those wells is on average better than most of the areas...without question most of the areas in Nora such that the average EUR, estimate ultimate recovery, from the 21 wells in the Middle Fork area is about 504 million cubic feet with the 30 year life on those wells. That's quite a bit better than most areas. So, in order to fairly compare the results of the simulation work that was done on Ramsey Ridge, I adjusted this same curve as the same slope adjusted it up to account for something that we might see at Middle Fork. So, again, at 60 acre spacing if we look at the red curve, the upper curve, we have 504 million cubic feet per well. That's what we expect with our current wells. If we extrapolate that down to 30 acre spacing, we can see that we would expect...if the project was developed initially on 30 acres, we would expect each well to average about 415 million cubic feet.

This would be Exhibit G, I believe. And it is basically a summary of the results of the simulation study

based on total recovery from a project. On the 30 acre case, if we look back the previous curve, on 30 acres for...with the 21 units that we have here if we drilled on 30 acres, we would have 42 wells drilled. If we signed an EUR of 450 million cubic feet to those wells, we would expect a total recovery of 17.4 bcf of gas, okay. Again, that's on 30 acre spacing. On 60 acre spacing then, the situation that we have now with 21 wells, we expect 504 million cubic feet. That total would be about 10 1/2 bcf. So, the incremental recovery from drilling the extra 21 wells that we're asking for are, based off of this information, would be about 6.8 bcf, okay. Now, if we take that number and divide it by the incremental 21 wells that we're drilling, we come up with an incremental per well EUR from the infill wells of 326 million cubic feet. Now, if we take that 326 and look at it in comparison to the original half of bcf that we're looking at from the original wells, that accounts for about 65% of the original wells EUR, which falls well within the range of 50% to 80% for the second wells that have been presented in... previously to the Board---.

JIM KAISER: Previously to the Board.

MIKE KOVARIK: ---from offset operators. So, we feel that we've got a really good project here. If you'll

notice that on the application that we put 750 million cubic feet as an EUR for the unit, which is...would be somewhat less than the 826 or the 830 million if you used 326. So, it's a fairly conservative estimate basically is what I'm saying and it adheres to the 50% of initial EUR that, again, is presented as a kind of a low...low border.

JIM KAISER: Sort of as a threshold from previous applications.

MIKE KOVARIK: I used 250 million EUR. I ran some economic cases with our internal perimeters and if...we would definitely do this project with this 250 million cubic feet as an EUR for average...for these infill wells. That's all I've got.

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Mr. Johnson.

DONALD R. JOHNSON: With regard to this request regarding the spacing at 600 feet, is that...is that the...is that the assumption you've made in how you're going to proceed with the development of this---.

MIKE KOVARIK: Yes, sir. We will not drill any well less than 600 feet closer to another CBM.

DONALD R. JOHNSON: Okay. So, that...in terms of

trying to keep the well spacing, that's going to be the perimeter as opposed to limiting this to two wells per unit? Is that what the perimeter is going to be is the 600 feet?

MIKE KOVARIK: No...well, we're going to drill two wells per unit, but none of the wells will be within 600 feet of each other.

DONALD R. JOHNSON: Okay. And with regard to the window, you're not...you're asking the Board to allow you to penetrate the windows as necessary because it's all one lease, is that---?

MIKE KOVARIK: Yes, yes.

JIM KAISER: We'll actually drill out...not drill both wells within the window because it's all one royalty owner.

MIKE KOVARIK: And, again, that would be drilling wells adjacent to units that have identical mineral ownership to other units. We're asking to drill outside the window on units that adjacent units that don't have the same owners. We're not asking for that. We feel that correlative rights are protected when we drill---.

DONALD R. JOHNSON: And I know Mr. Wampler has asked about life of wells, but do you...you said you thought perhaps the life of the well might be decreased, the overall life might be...how far out are you looking when you say

that? I mean, do you know how many years out you would see some sort of substantial decrease in production?

MIKE KOVARIK: Well, the gas is going to be effected by the second well, which would probably have been produced by the first well, will be the last gas that would have been produced by the first well. So, you know, tens of years at least.

DONALD R. JOHNSON: Tens of years, in other words, 10, 20 or 30?

MIKE KOVARIK: 30, 40 or 50 probably.

DONALD R. JOHNSON: And the basis...and the basis for doing this is to extract more gas quicker? I mean, that's ultimately what the result is?

MIKE KOVARIK: Extract more gas and extract more gas quicker.

DONALD R. JOHNSON: I've got no other questions.

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

JIM KAISER: Mr. Chairman, we'd ask that the application be approved as submitted.

BENNY WAMPLER: Just one clarification, I guess based on what Mr. Johnson just asked, you say that

additional coalbed methane gas wells may be drilled in each of these. We're really talking about one additional well in each unit. I believe you answered positively that that's what you're talking about. The application didn't...didn't--.

MIKE KOVARIK: Well, I mean, for right now. We'd like...for right now what we're asking for is a second well.

SHARON PIGEON: This application.

BENNY WAMPLER: This application. I'm just clarifying this application.

JIM KAISER: That's correct.

MIKE KOVARIK: Yes, that's correct.

DONALD R. JOHNSON: Yeah, is there...is there any unit where three wells could be drilled on 600 foot spacing.

MIKE KOVARIK: I don't know, you know, specifically, but just off the top my head probably, yes.

JIM KAISER: Probably, yeah.

BENNY WAMPLER: And the Nora Field it's a pretty good size of a unit.

DONALD R. JOHNSON: There's like 58...58 acres, I think---.

JIM KAISER: 58.77.

DONALD R. JOHNSON: Yeah.

BENNY WAMPLER: But I just wanted to clarify that

that we're talking about one additional well in each unit no closer than 600 feet, correct?

MIKE KOVARIK: Yes, sir.

BENNY WAMPLER: All right.

BOB WILSON: Mr. Chairman.

BENNY WAMPLER: Mr. Wilson.

BOB WILSON: We probably need to further clarify too the restriction on drilling within 300 feet of the edge of the unit when that unit borders a unit that does have correlative rights issues, that does have multiple owners.

BENNY WAMPLER: I believe, he...he did testify, and I guess for clarification, you did say that you would not drill those within the window in those units?

MIKE KOVARIK: That's...we wouldn't drill them outside of the window. That's right.

BENNY WAMPLER: Yeah, outside the window. Right.

JIM KAISER: None of the units that we're asking for in this application would that apply to anyway. I don't think would it?

BENNY WAMPLER: They said Standard---.

JIM KAISER: Huh.

BOB WILSON: Yeah.

JIM KAISER: Are you talking about the border? Okay, you're talking about the border ones.

(Mike Kovarik confers with Jim Kaiser.)

BENNY WAMPLER: But you...for clarification...just go ahead and clarify on the record for that.

JIM KAISER: Mr. Kovarik, could you repeat your testimony regarding the units that are on the edge?

MIKE KOVARIK: We're not asking for a relief from the 300 foot set backs on wells that have units adjacent to them that are of different mineral ownership.

JIM KAISER: That have royalty owners other than Standard Banner, correct?

BENNY WAMPLER: Anything further from members of the Board?

(No audible response.)

BENNY WAMPLER: Do you have anything further? Mr. Johnson, anything further?

DONALD R. JOHNSON: I'd just like to say to the Board that Standard Banner does approve this application and ask the Board to approve it and, of course, our main concern out there in going forward will be coal development. But this an area where we do not anticipate deeper coal...coals to be developed. The likelihood of that is not strong. In others of Standard Banner property that, you know, our position might change with regard to this approach, but I just wanted to say that for the record in this case. But we

do believe this is an excellent ideal and we're ready to go forward and assist Equitable with this project.

BENNY WAMPLER: Thank you. Is there a motion?

MARY QUILLEN: Motion to approve.

PEGGY BARBAR: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying yes.

(All Board members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Thank you.

MIKE KOVARIK: Thank you.

BENNY WAMPLER: The next item on the agenda is a petition from Appalachian Energy, Incorporated for a modification of the Oakwood I Field Rules to allow drilling of an additional unit in units...additional well in units G-33, G-34, H-33, H-34, I-34 in the Garden District of Buchanan County, docket number VGOB-93-0216-0325-08. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Mr. Chairman, Jim Kaiser on behalf of Equitable...Appalachian Energy. Our witness will Mr. Tom

Blake and possibly Mr. Henderson. I think probably right now we probably just need to swear in Mr. Blake. I've got...Mr. Wilson has got an objection from another operator in the area, not in our area but in the area that he's passing out and then I've got a letter signed by the objecting party and Mr. Henderson, President of Appalachian Energy, that negates that objection. So, if you can read those together at the same time. I'll pass out Mr. Blake's package of exhibits.

(Tom Blake is duly sworn.)

(Bob Wilson and Jim Kaiser pass out exhibits.)

BOB WILSON: Mr. Chairman, for the record I would like to recognize the letter that Mr. Kaiser just referred to, which we received from the Street Law Firm on behalf of GeoMet in which they filed objections to the application for a modification of Field Rules. Each of you have a copy of that.

(Board members review the letter.)

BENNY WAMPLER: Are you going to address that, Exhibit A?

JIM KAISER: Yeah, they're in there. They're just not labeled. I'm sorry.

BENNY WAMPLER: That's all right.

JIM KAISER: It's my fault.

BENNY WAMPLER: If you'll just do it here for the record.

JIM KAISER: Okay.

BENNY WAMPLER: Okay. The record will show no others. You may proceed.

JIM KAISER: Before we get started, Mr. Chairman, a few issues. Number one, I guess I'm going to object GeoMet's objection on the record in that they were a party whose interest is some considerable...over a 1,000 feet from anything that we're doing here. They weren't entitled to any notice under statute or regulations. So, therefore, they don't really even have standing to object. Then number two, I would point the Board to the that we just passed out signed by Jeff Taylor and Frank Henderson, which Frank was kind enough to do sort of negate any objection that the might want to try to come and file anyway. So, I'd point the Board to that letter basically withdraws any objection they had. Three, my mistake we...with our application we provided the exhibits showing the units in the area that we're asking for increased density drilling in, but we didn't label them Exhibit A in accordance with the way the application reads. So, if we could correct that.

BENNY WAMPLER: You just identify which ones you're talking about.

JIM KAISER: Yeah, it would be exhibit...well, it actually be two exhibits. It will be one labeled Exhibit 1. "Appalachian Energy, Inc., Dwight-Whitewood Base Map Proposed Increased Drilling Density." Then also an Exhibit 1, "Appalachian Energy..." The same heading just---.

BENNY WAMPLER: That will be A1 and the other one is A.

JIM KAISER: Okay, thank you.

BENNY WAMPLER: You may proceed.

TOM BLANK

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Blank, you testified, I guess was it last month or two months ago---.

A. Two.

Q. ---in a...in the Nora Field where we sought increased density drilling and that application was approved. We went over at that time your education and your work background and all of that. So, we'll dispense with that. Then if you would, just present the Board with your testimony in accordance with the exhibits that we've

provided to them as to why we're seeking increased density drilling in this...in these particular units.

A. Okay. The reason that we're seeking increased density in these five units is...as you've just heard, accelerated production, increased recovery with lower reservoir pressure due to the fact that these are desorption type of reservoirs. The ability to access all zones, either by the completions or by the fact that you have more opportunity to penetrate the intervals. I'm going to bring into this some of the economic sides of it that there's a lower per well investment that takes advantage of the infrastructure that's in place and that's one of the reasons why the economics are maximized by the increased density. The whole thing...the concept of increased density in coalbed methane works because its desorption type of reservoir. In conventional reservoirs, you really have a pressure volume relationship and the drainage is permeability only. In coalbed methane, there is gas in the pore space like a conventional reservoir usually. But most of the gases are absorbed under the coal and because of that, the recovery is based on your ability to draw up the pressure. I can illustrate that. I know you've just seen this, so I'm going to make this relatively quick. The gas sorption isotherm that is labeled Exhibit Two in your

package, which should that be Exhibit B then.

Q. Correct...well, yeah, Exhibit B. We've got an A and an A-1.

A. Yeah, we just have to rename it.

BENNY WAMPLER: Yeah, we'll go with B. Yeah, we'll change all of these. This will be C, D, E...

A. It shows the amount of gas that stored on the coal. This is basically absorbed onto the coal. This is just a representative curve of one of the deeper zones. You can see that coal at 600 pounds that hold about 500 standard cubic feet a ton. If you drop the pressure to 300 pci, it will hold about 375. So, if you were to do that, it would liberate a 125 because it can only hold 375 at 300. So, a 300 pound drop will liberate a 125 at high pressure. When you drop the pressure further, the curve steepens and you can go from 375 at 300 pounds down to a 100 pounds and 100 pounds will hold about 175 standard cubic feet. So, now for only 200 pounds, you get 200 standard cubic feet. So, there is an increasing benefit of decreasing pressure and that's what we're interested in.

Exhibit Three, this actually shows...I've shown this before, but this is the simulation that was mentioned in the previous testimony. We did do this. In fact, I did this personally, so I can attest to it. The whole object is

to match existing history with reservoir perimeters so that you can use the same reservoir perimeters and predicting things that don't exist in real life yet. So, it's theory, but that's what we have to use. You can see the really good agreement of, and this is for the entire field, of both gas and water rates. The reasons why did it in company was because we couldn't get a consultant to match to this degree. So, this is a really good representation of real...with the real world. So once you match it, then you can say, okay, what happens if you have increased density because in the case of Appalachian Energy we have drilled everything on the normal spacing and we don't have specific examples of tight spacing.

If you look at Exhibit---

BENNY WAMPLER: D.

A. ---D, this is a representation of the increased production that you can get from a 160 acre area drilled on 80 acres, 60 acres and 40 acres. So, it's looking at the 160...the recovery from a 160 in total. We're asking to go from 80 to 40. If you look at the recovery at 80 and the recovery at 40, it's roughly going from 1700 to 1100, which is an increase of a little more than 50%. That's pretty much in keeping with everything that I've heard here and that's also what I hear from other

operators. So, that...that gives you a sense for what the increased recovery is. Now, some of that, the second well is going to recover gas that might have been produced from the first...that will have been produced from the first well far out in time as it was previously testified. But there's also increased recovery and that's what this represents.

And on the final curve, and this the thread of the economics side of it in, when we originally did this simulation the real question that we had at the time was...I mean, we had 60 acre spacing in Nora and there was 80 acre spacing in Buchanan County and our question was is 80 right at 60 or is there some other correct answer. So, we ran economics and you note on this, and this is probably the most important thing on it, is we ran this at 225. That was kind of the gas price at the time. We ran it at variety spacing all the way from 160s, you know, 100s, 80s, 60s, 40, 30s and all the way down. What you end up with is low recovery with an investment in one well at the high end and the reason why your economic mpv goes down at the low end is because you're putting in so many more wells that your increased recovery doesn't warrant it and that's important. The optimal point is running right in the 50/40 range, which is represented by the high point of the mpv for this development. If...and the reasons for it is acceleration in

production, the increased recovery that I had mentioned on the previous graph and then the other thing that was real interesting in this is that we had lower investment per well. The lower investment per well made a big difference in the economics on a per well and per project basis.

A key thing that I want to mention is when the gas price goes up, it actually reinforces and amplifies the result here because this curve would shift to the left with the higher prices because the prices are going up at much higher rate than the actual investments are going up. So, the optimum at that point definitely ends up being, you know...in this case, which is a theoretical case, 40 acres. So---.

Q. That's assuming at 225.

A. At 225. Yeah, it would shift---.

Q. It would shift.

A. ---to the left if it were \$6 is what I'm driving at.

Q. Right. Which is what it is.

A. Huh?

Q. Which is what it is.

A. Which is what it is. I just...yeah, I don't have the...everything that I needed to prepare that at a different price. So, there's, obviously, then a benefit

to the operator in the fact that they're maximizing the economic value of this project. There's a benefit to the royalty owner in that with that optimization comes an optimization of the royalty to the royalty owners. Finally, with that optimization comes an optimization of the value to the government and counties in the form of severance tax. So, because this benefits everybody, we're asking for increased density on those units.

BENNY WAMPLER: Questions from members of the Board of this witness?

(No audible response.)

BENNY WAMPLER: Your application says that an additional...here again, coalbed methane gas wells may be drilled. Then it says that the second well. Are we talking about one additional well in each unit?

TOM BLAKE: Yes.

BENNY WAMPLER: What does your Exhibit depict, Mr. Kaiser? Is it the notice or---?

JIM KAISER: It should be the notice, yeah.

BENNY WAMPLER: I'm just asking for clarification. It didn't have...we had it in here and no testimony.

JIM KAISER: So, we need to go A, A-1, B and then the first one of these will be C through F---.

BENNY WAMPLER: Yeah.

JIM KAISER: ---for clarification.

BENNY WAMPLER: Right. Mr. Wilson, do you have any questions or comments?

BOB WILSON: No, sir.

BENNY WAMPLER: Do you have anything further, Mr. Kaiser?

JIM KAISER: Well, we'd ask that the application be approved as submitted with the clarifications regarding well versus wells and the enumeration of the exhibits.

BENNY WAMPLER: Is there a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying yes.

(All Board members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval.

JIM KAISER: Thank you.

TOM BLAKE: Thank you.

BENNY WAMPLER: The next item on the agenda is a petition from Chesapeake Appalachian, LLC for pooling of

conventional gas unit 825692. This is docket number VGOB-06-0718-1680. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Mr. Chairman, I've confused you so bad today that, I think actually if we could---

BENNY WAMPLER: We're going to go back.

JIM KAISER: ---we need to go back to item number six, right.

BENNY WAMPLER: Yeah. I just thought of that after I called it. Six and seven for the Board's information. I had them here, but I moved them here again one more forward for some reason. Okay, I'm going to call that.

JIM KAISER: Well, I'll tell you what, before you do that...man, I'm just a pain aren't I?

BENNY WAMPLER: You're working on it.

(Laughs.)

JIM KAISER: Tactically, I think a lot of times...in fact, Mr. Harris it brought it up. I think two or three months ago, we've got two wells that we have a location exception in for force pooling for. Maybe we should the location exception first and then do the pooling. I mean, he had inquired about that one other time, I think.

BENNY WAMPLER: That would be the seven?

JIM KAISER: Yes, sir. So, we would go seven, six and then going back to the next page, we would go twenty-eight and twenty-seven. If that's not too confusing...

BENNY WAMPLER: Well, I'm going to do one or two and let Mr. Harris handle it from here on out.

JIM KAISER: Do you got to go?

BENNY WAMPLER: If you're confusing anybody, you're going to confuse him. I'm going to do one or two more, depending on the length of time. We'll go ahead and call number seven on the agenda here. A petition from Chesapeake, and I'll strike...by the way, strike the other call on that last item. A petition from Chesapeake Appalachian, LLC for a well location exception for proposed well 825946, docket number VGOB-06-0620-1662. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Mr. Chairman, it will be Jim Kaiser and Stan Shaw on behalf of Chesapeake Appalachia. I do have some revised exhibits to pass out to you also. This was...these two hearings we continued back in June because we identified a different party having an ownership interest in Tract 1 that had not been notified. That was the only reason it was continued. So, we're going to have...I'll have new exhibits for both the location exception and the

force pooling.

(Stan Shaw is duly sworn.)

(Jim Kaiser passes out revised exhibits.)

STAN SHAW

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Shaw, could you state your name for the Board, who you're employed by and in what capacity?

A. My name is Stan Shaw. I'm employed by Chesapeake Appalachia, LLC as a reservoir engineer.

Q. And do your responsibilities include the land involved in this unit and in the surrounding area?

A. They do.

Q. Are you familiar with the application we filed seeking a location exception for this well?

A. Yes.

Q. Have all interested parties been notified as required by Section 4(B) of the Virginia Gas and Oil

Board Regulations?

A. Yes.

Q. Would you indicate for the Board the ownership of the oil and gas underlying the unit for well 825946?

A. Chesapeake Appalachia owns 100%.

Q. And we are seeking an exception from one well, that being 25415, is that correct?

A. That's correct.

Q. And does Chesapeake Appalachia have the right to operate that reciprocal well?

A. Yes.

Q. Okay. And could you explain for the Board why we're seeking this location exception?

A. This site was picked to minimize the impact of coal. It was pre-approved by the coal company. It takes advantage of an existing bench. So, there's a win/win with regard to topography. It keeps it off a steep bench.

Q. Okay. And in the event the location exception were not granted, would you project the estimated loss of reserves?

A. 400 million cubic feet.

Q. And the total depth of the proposed well?

A. 5,415 feet.

Q. Are you requesting this location exception cover conventional gas reserves to include designated formations as listed in the application from the surface to the total depth drilled?

A. Yes.

Q. In your opinion, would the granting of this location exception be in the best interest of preventing waste, protecting correlative rights and maximizing the recovery of the gas reserves underlying this unit?

A. Yes.

JIM KAISER: Nothing further of this witness at this time, Mr. Chairman.

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Now, this exhibit that you handed us, is that...that's a revised exhibit?

JIM KAISER: Yes, sir.

BENNY WAMPLER: And it's based on?

JIM KAISER: Based on our subsequent title work to what we found in June, it showed the ownership to be different in Tract 1.

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

JIM KAISER: Mr. Chairman, we'd ask that the application be approved with the revised Exhibit B?

BENNY WAMPLER: Is there a motion?

DONNIE RATLIFF: So moved, Mr. Chairman.

BENNY WAMPLER: Motion to approve.

MARY QUILLEN: Second.

BENNY WAMPLER: And second. Any further discussions?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying yes.

(All Board members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Now, let's get on the same page. Do you want to go to six or do you want to go to---?

JIM KAISER: Let's go to six.

BENNY WAMPLER: Okay.

JIM KAISER: I like six.

BENNY WAMPLER: A petition from Chesapeake Appalachia, LLC for pooling of conventional gas unit 825946,

docket number VGOB-06-0620-1660. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Now, Mr. Chairman, in this case it will be Jim Kaiser, Dennis Baker, who needs to be sworn, and again Stan Shaw on behalf of Chesapeake.

(Dennis R. Baker is duly sworn.)

JIM KAISER: As stated, we did...the reason we continued this, we did pass out a revised Exhibit B and B-2, which will show the changes made in Tract 1. We have dismissed a Dorothy Mitchell and Henry Valentine and Nancy and David Rife. Their interest was actually owned by Richard Otto, O-T-T-O. None of the percentages or anything changed, but we'll testify to that. We just had the wrong owner for that interest.

BENNY WAMPLER: The record will show no others. You may proceed.

DENNIS BAKER

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Baker, if you'd state your name for the

record, who you're employed by and in what capacity?

A. My name is Dennis Baker. I'm employed by Chesapeake Appalachia, LLC as Senior Land Representative.

Q. And do your responsibilities include the land involved here and in the surrounding area?

A. Yes, they do.

Q. Are you familiar with the application that we filed seeking to establish a drilling unit and pool any unleased interest for well number 825946, which was dated May the 19th, 2006?

A. Yes.

Q. Does Chesapeake Appalachia own drilling rights in the unit involved here?

A. Yes, we do.

Q. And prior to the filing the application, were efforts made to contact each of the respondents and an attempt made to work out a voluntary lease agreement?

A. Yes.

Q. And what...as of today and as depicted on our revised exhibit that the Board has in front of them, what is the interest of Chesapeake Appalachia under lease within the unit?

A. The interest leased to Chesapeake is 95.163723%.

Q. And then that would leave unleased
4.836277%?

A. Yes.

Q. Okay. And are all unleased parties set out
at B-3?

A. Yes.

Q. And we do not have any unknown or
unlocateable owners in this unit, correct?

A. No...no, we do not.

Q. So, in your professional opinion, due
diligence was exercised to locate each of the respondents
named?

A. Yes.

Q. Are the addresses set out in Exhibit B to
the application the last known addresses for the
respondents?

A. Yes, it is.

Q. Are you requesting this Board to force pool
all unleased interest listed at Exhibit B-3?

A. Yes.

Q. Are you familiar with the fair market value
of drilling rights in the unit here and in the surrounding
area?

A. Yes, I am.

Q. Could you advise the Board as to what those are?

A. A five dollar per acre consideration with a five year terms and a one-eighth royalty.

Q. And in your opinion, do the terms you've testified to represent the fair market value of and the fair reasonable compensation to be paid for drilling rights within this unit?

A. Yes.

JIM KAISER: Mr. Chairman, any chance I can incorporate the election testimony from 1674?

BENNY WAMPLER: If he'll accept them.

Q. Will you accept those terms?

A. Yes.

BENNY WAMPLER: That will be incorporated.

Q. The Board...for this particular unit, the Board does not need to establish an escrow account, correct?

A. That's correct.

Q. And who should be named operator under any force pooling order?

A. Chesapeake Appalachia, LLC.

JIM KAISER: Nothing further of this witness at this time, Mr. Chairman.

BENNY WAMPLER: Questions from members of the

Board of this witness?

(No audible response.)

BENNY WAMPLER: Call your next witness.

STAN SHAW

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Shaw, do your responsibilities include the land involved here and in the surrounding area?

A. Yes.

Q. Are you familiar with the proposed exploration and the development of this well?

A. I am.

Q. And what's the total depth of the proposed well?

A. 5,415 feet.

Q. And the estimated reserves for the unit?

A. 400 million cubic feet.

Q. Are you familiar with the well costs and has an AFE been reviewed, signed and submitted to the Board as Exhibit C to the application?

A. Yes.

Q. In your opinion, does it represent a reasonable estimate of the well costs for this well?

A. It does.

Q. Could you state both the dry hole costs and completed well costs for this well?

A. The dry hole costs are \$242,144 and the completed well costs at 100% are \$475,855. I think which the 95%...we have a 95% working interest.

Q. Okay. I think our application stated 452,062 and the difference in that is?

A. The 95% working interest.

Q. So, the AFE represents then 95%?

A. Yeah, both numbers were shown on the AFE. There was a---.

Q. Oh, you've got a total and then---?

A. ---a total and then---.

Q. Okay.

A. So, it would be the total costs of that 100%.

Q. All right. So, the actual completed well costs should be 475,855?

A. Correct.

Q. Okay. Do these costs anticipate a multiple completion and does your AFE include a reasonable charge for supervision?

A. Yes.

Q. In your professional opinion, would the granting of this application be in the best interests of conservation, the prevention of waste and the protection of correlative rights?

A. Yes.

JIM KAISER: Nothing further at this time of this witness, Mr. Chairman.

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

BENNY WAMPLER: We'd ask that the application be approved with the revised B and the submission of the B-2, which reflects the revisions to B.

BENNY WAMPLER: Is there a motion?

MARY QUILLEN: Motion to approve.

PEGGY BARBAR: I second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying yes.

(All Board members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Mr. Harris, that takes you to number twenty-seven, which you'll call next. Thank you. I do have to leave. I apologize.

(Benny Wampler exits the room.)

BILL HARRIS: We'll go ahead and call the next docket item. A petition from Chesapeake Appalachia, LLC for pooling of a conventional gas unit 82...I'm sorry, 825692, Rocklick District, Buchanan County, Virginia, docket number VGOB-06-0718-1680. We'd ask all parties that wish to speak to this petition to state their interests.

JIM KAISER: Mr. Chairman, Jim Kaiser, Dennis Baker and Stan Shaw on behalf of Chesapeake. We have a revised exhibit for you on this one also, which will reflect some changes since the original application was filed.

(Jim Kaiser passes out revised exhibits.)

BILL HARRIS: Okay.

DENNIS BAKER

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Baker, if you could state your name for the Board, who you're employed by and in what capacity?

A. Dennis Baker, employed by Chesapeake Appalachia, LLC as Senior Land Representative.

Q. And your responsibilities include the land in the unit here and in the surrounding area?

A. Yes, it does.

Q. And you're familiar with the application we filed seeking to establish a drilling unit and pool any unleased interest for well 825692?

A. Yes, I am.

Q. And does Chesapeake own drilling rights in the unit involved here?

A. Yes, we do.

Q. And prior to filing the application, were efforts made to contact each of the respondents and an attempt made to work out an agreement regarding the development of the unit?

A. Yes.

Q. Now, at the time we filed our application on June the 16th, what percentage of the unit was under lease to Chesapeake?

A. At the time of application, the percentage that we showed or indicated leased was 92.788051%.

Q. Okay. And subsequent to the filing of the application, have you continued to attempt to reach an

agreement with any of the unleased respondents as they were listed at the original Exhibit B?

A. Yes, we have.

Q. And as a result of those efforts, have you been successful in acquiring any additional leases?

A. We have one individual we were able to obtain a lease on. On the exhibit it should be listed under page three, Tract 1, Mr. Robert Ramey, he is now a leased interest.

Q. Okay. And then what other change is reflected in the revised Exhibit B---?

A. Okay.

Q. ---on Tract 4?

A. On Tract 3 and 4, on the application we had indicated that Buchanan Gas Company was leased. However, we did find out that the parcels in this unit were not leased. We've been trying to add those tracts by a lease amendment and modification. But at the time of the hearing, we still do not have an agreement signed yet. So, we changed those interests from leased to unleased.

Q. Okay. So, at the present time, as of right now, state both the percentage that is leased to Chesapeake and the percentage that is unleased to Chesapeake.

A. Currently under lease to Chesapeake, we

have 68.954735%. The interest unleased as of today is 31.045265%.

Q. Okay. And are unleased parties set out at Exhibit B-3?

A. Yes, they are.

Q. Now, in this particular tract, we do have some unknown and unlocateable interest owners?

A. That's correct.

Q. Were efforts made to...and sources checked to attempt to identify and locate those unknown heirs?

A. Yes.

Q. In your professional opinion, was due diligence exercised to locate them?

A. Yes, it was.

Q. Are the addresses set out in the revised Exhibit B to the application the last known addresses for the respondents?

A. Yes.

Q. Are you requesting the Board to force pool all unleased interest listed at Exhibit B-3?

A. Yes, we are.

Q. Are you familiar with the fair market value of drilling rights in the unit here and in the surrounding area?

A. Yes, I am.

Q. Could you advise the Board as to what those are?

A. A five dollar per acre consideration, a five year term and a one-eighth royalty.

Q. In your opinion, do the terms you've testified to represent the fair market value of and the fair and reasonable compensation to be paid for drilling rights within this unit?

A. Yes.

JIM KAISER: Now, Mr. Chairman, I'd ask that the testimony regarding election options, with Mr. Baker's okay, that was previously taken in docket number 1674 be incorporated for purposes of this hearing.

BILL HARRIS: Mr. Baker, would you agree to that?

DENNIS BAKER: Yes, I do.

BILL HARRIS: Okay. It will be incorporated.

Q. And the Board does need to establish an escrow account for part of the proceeds attributable to Tract 3 and 4 in this unit, is that correct? It would be the Linda Stevenson Heirs and the Lizzie Williamson Heirs.

A. There's an unknown individual on Tract 1.

Q. Oh, there is?

A. Yeah. I'm sorry, no, it's Tract...you're

right Tract 3. I apologize. That's incorrect. It is on Tract 2, page five of the exhibit, and Tract 4.

Q. Yeah, I'm sorry. It's 2, 3 and 4.

JIM KAISER: Sharon, 2, 3 and 4.

SHARON PIGEON: 2, 3 and 4.

BILL HARRIS: Page five of six. That's at the bottom?

JIM KAISER: Yeah, that would be Tract 2.

BILL HARRIS: Okay.

JIM KAISER: There' the Linda Stevenson Heirs---.

BILL HARRIS: Tract 3.

JIM KAISER: ---in Tract 3 and a Lizzie Williamson Heirs in Tract 4.

BILL HARRIS: Okay.

Q. And who---?

A. Yes, we do need to establish an escrow account.

Q. Who would be named...should be named operator under any force pooling order?

A. Chesapeake Appalachia, LLC.

JIM KAISER: Nothing further of this witness at this time, Mr. Chairman.

BILL HARRIS: Thank you. Any questions from the Board?

BOB WILSON: Mr. Chair.

BILL HARRIS: Yes.

BOB WILSON: The...there was no Exhibit E filed with this application, I believe, showing owners to be escrowed. You'll need to---.

JIM KAISER: I've got one. You just didn't get it?

BOB WILSON: No. Okay. Yeah, I don't have it.

JIM KAISER: Okay. I'll---.

BILL HARRIS: It does exist though?

JIM KAISER: Yeah.

SHARON PIGEON: Not for us.

JIM KAISER: I'll get it to you.

BILL HARRIS: Any further questions for Mr. Baker?
(No audible response.)

BILL HARRIS: Oh, any further questions for Mr. Baker?

JIM KAISER: No. Nothing for this witness.

BILL HARRIS: Okay. You can...you can move on.

STAN SHAW

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Shaw, do your responsibilities include

the land involved here and in the surrounding area?

A. They do.

Q. And you're familiar with the plan of exploration for this well?

A. Yes.

Q. And what is the total depth of this proposed well?

A. Total depth 5,725 feet.

Q. Estimated reserves?

A. 400 million cubic feet.

Q. Has an AFE been reviewed signed and submitted to the Board as Exhibit C?

A. Yes.

Q. And, in your opinion, does it represent a reasonable estimate of the well costs for this well?

A. It does.

Q. Could you state for the Board both the dry hole costs and completed well costs for this well?

A. The dry hole costs are \$262,137 and completed well costs are \$508,325.

Q. And do these costs anticipate a multiple completion and include a reasonable charge for supervision?

A. Yes.

Q. In your opinion, would the granting of this

application be in the best interests of conservation, the prevention of waste and the protection of correlative rights?

A. Yes.

JIM KAISER: Nothing further of this witness at this time, Mr. Chairman.

BILL HARRIS: Thank you. Board members, any questions?

(No audible response.)

BILL HARRIS: Do you have any further questions?

JIM KAISER: Mr. Chairman, we'd ask that the application be approved as submitted with the revised exhibits and with a revised Exhibit E to be submitted to Mr. Wilson.

BILL HARRIS: Do we have a motion on this petition?

PEGGY BARBAR: Motion to approve.

BILL HARRIS: Motion to approve.

MARY QUILLEN: Second.

BILL HARRIS: Second. It has been moved and second. All in favor, say aye.

(All members signify by saying aye.)

BILL HARRIS: Opposed likewise.

(No audible response.)

BILL HARRIS: The petition passed. The next docket item is number twenty-eight. It's a petition from Chesapeake Appalachia, LLC for a well location exception for proposed well 825..825692, Rocklick District, Buchanan County, Virginia, docket number VGOB-06-0718-1681. We'd ask all parties who wish to speak to this petition to please come forward.

JIM KAISER: In this case, Mr. Chairman, it will be Jim Kaiser and Stan Shaw on behalf of Chesapeake.

(Jim Kaiser confers with Stan Shaw.)

BILL HARRIS: Let the record show, there are no others.

STAN SHAW

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Shaw, do your responsibilities include the land involved in this unit and in the surrounding area?

A. Yes.

Q. Are you familiar with the application we filed seeking a location exception for this well?

A. I am.

Q. And have all parties been notified as required by Section 4(B) of the Virginia Gas and Oil Board

Regulations?

A. Yes.

Q. Could you indicate for the Board the ownership of the oil and gas underlying this well?

A. Chesapeake Appalachia owns 100%.

Q. And in this particular case, we're seeking an exception from one well that has been drilled, 224654 and then one that's proposed, which is 825834, is that correct?

A. That's correct.

Q. And Chesapeake has the right to operate both those reciprocal wells?

A. We do.

Q. So, there's no correlative rights issues?

A. No.

Q. Now, in conjunction with the exhibit that you prepared and we just passed out to the Board, explain to them why we're seeking this exception.

A. This is another exception to minimize the impact of coal. It's a different coal company. It's Clintwood Elkhorn. They pre-approved this location. It's an area where they already stripped that takes advantage of the topography using the existing bench. This exhibit doesn't have a scale, but the actual distances between the wells is printed on there by our surveyor and the

topographic intervals 40'. So, it is too steep to put a location on the side of the hill for safety reasons.

Q. In other words, to move to the southwest it would be...there would be topographic constraints?

A. Yes.

Q. Okay. So, this was pre-approved by the coal company, that's where they want it, and it's on an existing strip bench, so it takes care of any topographic problems?

A. Correct.

Q. Okay. And what is the...in the event this location exception were not granted, would you project the estimated loss of reserves?

A. 400 million cubic feet.

Q. And the total depth of the proposed well?

A. Total depth 5,725 feet.

Q. And you're requesting this location exception to cover conventional gas reserves to include the formations designated in the application from the surface to the total depth drilled?

A. Yes.

Q. In your opinion, would the granting of this location exception be in the best interest of preventing waste, protecting correlative rights and maximizing the

recovery of the gas reserves underlying the unit in the area for 825692?

A. Yes.

JIM KAISER: Nothing further of this witness at this time, Mr. Chairman.

BILL HARRIS: Thank you. Questions from Board members?

(No audible response.)

BILL HARRIS: Do you have anything further?

JIM KAISER: We'd ask that the application be approved as submitted.

DONNIE RATLIFF: So moved, Mr. Chairman.

BILL HARRIS: Okay. There's move for approval of this petition.

MARY QUILLEN: Second.

BILL HARRIS: It has been seconded. Any further questions?

(No audible response.)

BILL HARRIS: All in favor, say yes.

(All members signify by saying yes.)

BILL HARRIS: Opposed, like sign.

(No audible response.)

BILL HARRIS: Thank you. This petition is approved. We'll move on to number twenty-nine. A petition

from Chesapeake Appalachia, LLC for pooling of conventional gas unit 825834, Rocklick District, Buchanan County, Virginia, docket number VGOB-06-0718-1682. We'd ask all parties who are interested in commenting to please come forward.

JIM KAISER: Again, Mr. Chairman, Jim Kaiser, Dennis Baker and Stan Shaw on behalf of Chesapeake Appalachia. If you'll give me just a second. I've got a huge set of revised exhibits to hand out.

BILL HARRIS: Okay. The record will show there are no others.

JIM KAISER: We're going to have a revised B, B-2, which will reflect all the leases we've picked up, and then, of course, a revised B-3 and a revised E. So everything is revised.

(Jim Kaiser passes out revised exhibits.)

JIM KAISER: All right. So, we've got a revised B, revised B...a new B-2, we didn't have a B-2 before probably, we wouldn't have, it only comes into play if there's changes between the application and the hearing, B-3 and E. So, we should all be set. The plat and the AFE remains the same. Does everybody got them? All right. Are we ready, Mr. Chairman?

BILL HARRIS: Yes, we're ready.

DENNIS BAKER

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Baker, if you'd state your name for the Board, who you're employed and in what capacity?

A. Dennis Baker. I'm employed by Chesapeake Appalachia, LLC as senior land representative.

Q. Based on all of these exhibits, I'm going to assume your responsibilities include the land involved here and in the surrounding area?

A. Yes, it does.

Q. Does Chesapeake Appalachia own drilling rights in the unit involved here?

A. Yes, we do.

Q. And prior to filing the application, were efforts made to contact each of the respondents in the unit and an attempt made to work out an agreement regarding the development of the unit?

A. Yes.

Q. And then subsequent to the filing of the application, did you continue to attempt to reach an agreement with the respondents listed at the original Exhibit B?

A. Yes.

Q. And as a result of those efforts, you've picked up quite a few leases, which are reflected in the dismissed parties shown in Exhibit B-2, correct?

A. Right.

Q. Okay. So, at this point in time right now and reflected by the revised Exhibit B-3, what percentage of the interest within the unit is under lease to Chesapeake?

A. Currently, we have 90.360385% leased.

Q. Okay. And what percentage would remain unleased at this time?

A. Unleased percentage would be 9.639615%.

Q. And all the unleased parties are set out in Exhibit B-3?

A. Yes.

Q. And, again, in this particular case as we've shown by our revised Exhibit E, we do have, I think, two unknown interest owners in this unit?

A. Yes, we do.

Q. And let's see, they would be---?

A. Actually, there's three. We have...in Tract 5, which would be page five, I believe, we have...half the way down, we have a Jean Bowling. Directly below her, we have the Madeline Mullins Heirs.

JIM KAISER: Mr. Director...Mr. Chairman, we're going to have to get you a revised Exhibit E here on this one two because we're only showing the two...we're showing Lizzie Williamson and Marilyn Mullins.

BILL HARRIS: Marilyn Mullins, yes.

JIM KAISER: Maybe we're missing a Jean Bowling. So, I'm get you a revised E on this one too.

SHARON PIGEON: So, the revised E will show Tracts 5 and 6?

JIM KAISER: Correct.

Q. Now, Mr. Baker, were reasonable and diligent efforts made and sources checked to attempt to locate these heirs?

A. Yes.

Q. In your opinion, due diligence was exercised to locate each of the respondents named in Exhibit B?

A. Yes, it was.

Q. And are the addresses set out in Exhibit B to the application the last known addresses for the respondents?

A. Yes.

Q. Are you requesting this Board to force pool all unleased interest listed at revised Exhibit B-3?

A. Yeah.

Q. Now, are you familiar with the fair market value of drilling rights in the unit here and in the surrounding?

A. Yes, I am.

Q. Could you advise the Board as to what those?

A. A five dollar per acre consideration, a five year term and one-eighth royalty.

Q. In your opinion, do the terms you just testified to represent the fair market value of and the fair and reasonable compensation to be paid for drilling rights within this unit?

A. Yes.

JIM KAISER: Mr. Chairman, I'd ask that the election option testimony previously taken in item 1674 be incorporated for purposes of this hearing with Mr. Baker's approval.

BILL HARRIS: Do you approve?

DENNIS BAKER: Yes, we do.

BILL HARRIS: It will be incorporated then.

Q. Okay. And we've just establish...we earlier established that an escrow account does need to be established for this unit covering certain proceeds

attributable to Tracts 5 and 6 in the unit, correct?

A. Yes, that's correct.

Q. And who should be named operator under any force pooling order?

A. Chesapeake Appalachia, LLC.

JIM KAISER: Nothing further of this witness, Mr. Chairman.

BILL HARRIS: Thank you. Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Okay. You may call your next witness.

STAN SHAW

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Shaw, are you familiar with the proposed exploration of this well?

A. I am.

Q. And what's the total depth of the well?

A. 5,660 feet.

Q. And the estimated reserves for the unit?

A. 400 million cubic feet.

Q. Are you familiar with an AFE that has been

reviewed, signed and submitted to the Board as Exhibit C?

A. Yes.

Q. In your opinion, does it represent a reasonable estimate of the well costs?

A. It does.

Q. Could you state for the Board both the dry hole costs and completed well costs for this well?

A. Dry hole costs are \$270,419 and completed well costs are \$515,859.

Q. Do these costs anticipate a multiple completion and do they include a reasonable charge for supervision?

A. Yes.

Q. In your professional opinion, would the granting of this application be in the best interest of conservation, the prevention of waste and the protection of correlative rights?

A. Yes.

JIM KAISER: Nothing further of this witness at this time, Mr. Chairman.

BILL HARRIS: Okay. Questions from Board members?

(No audible response.)

BILL HARRIS: Okay. You may proceed.

JIM KAISER: We'd ask that the application be

approved as submitted with the revised exhibits and with an additional revised Exhibit on E to reflect the unknown interest of a Jean Bowling in Tract 5.

BILL HARRIS: Okay. Do we have a motion for this...concerning this petition?

PEGGY BARBAR: Motion to approve.

MARY QUILLEN: Second.

BILL HARRIS: Any further discussion?

(No audible response.)

BILL HARRIS: All in favor, say yes.

(All members signify by saying yes.)

BILL HARRIS: Opposed, like sign.

(No audible response.)

BILL HARRIS: It has been approved.

JIM KAISER: Thank you.

BILL HARRIS: Thank you. I guess, maybe take what a ten minute break or so. I'm not sure what...we have what four...three.

MARY QUILLEN: Could I ask before we break, item number four on the agenda, what was the action that was taken on number four?

JIM KAISER: It was continued.

BILL HARRIS: I have that it was continued.

MARY QUILLEN: It was continued?

JIM KAISER: Yes, ma'am.

BILL HARRIS: Yes.

MARY QUILLEN: Okay.

DONNIE RATLIFF: You withdrew thirty, right?

JIM KAISER: Thirty and thirty-one, I believe.

Two withdrawals.

BOB WILSON: I can go get these other people, if you want to continue.

BILL HARRIS: Well, I was just giving you a break to get...because there's a change of folks, right? I mean, you know---.

BOB WILSON: Yeah. I'll go get them either way.

MARY QUILLEN: For which one?

PEGGY BARBAR: Are we thirty-three?

JIM KAISER: He's just got three more, I think.

BILL HARRIS: Yeah, I think we have three more.

MARY QUILLEN: Okay.

PEGGY BARBAR: Is it thirty-three next?

BILL HARRIS: Yes, thirty-three will be next.

(Off record.)

BILL HARRIS: Okay. Our next item then is number thirty-three. It's a petition from Pine Mountain Oil and Gas, Inc. for pooling of coalbed methane unit Haysi-6 CBM unit 71-AC, Prater District, Buchanan County, Virginia,

docket number VGOB-06-0718-1686. We'd like to ask all of the parties who wish to speak to this petition to please come forward.

TIM SCOTT: Tim Scott for Pine Mountain, Phil Horn and Doug Terry.

BILL HARRIS: Okay. Let the record show, there are no others. You may proceed.

TIM SCOTT: Mr. Chairman, we've passed out revised Exhibit B and B-3. When we prepared the exhibits for notification to the parties respondent on B-3, we had inadvertently used the wrong zip code. It was supposed to be 21102 and we used 22107. We fixed it at the post office, much to chagrin. But anyway, it went out correctly and notification that we filed with Mr. Wilson does accurately reflect that. So, those are the only changes on there.

BILL HARRIS: And that was within the required time limits?

TIM SCOTT: It was the same day. The day we filed it.

BILL HARRIS: Oh...oh, I'm sorry. I misunderstood.

TIM SCOTT: I just had one of the paralegals just fix it on all of the green cards---.

BILL HARRIS: Yes.

TIM SCOTT: ---as they were going out that day.

BILL HARRIS: Yeah, okay.

TIM SCOTT: As I said, much to the post office's unhappiness.

BILL HARRIS: Yeah, I'm sure they didn't like it one bit.

TIM SCOTT: Mr. Horn, would...have you sworn these gentlemen?

(Phil Horn and Doug Terry are duly sworn.)

PHIL HORN

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Horn, would you state your name, please?

A. My name is Phil Horn.

Q. And by whom are you employed?

A. Pine Mountain Horn and Gas, Inc.

Q. And what's your job description, please?

A. I'm district landman and I'm responsible for getting wells permitted and drilled, dealing with oil and gas owners, surface owners, coal owners, title and such

as that.

Q. So, you're familiar with this application?

A. Yes, I am.

Q. And you did this in preparing the application?

A. Yes, I did.

Q. Okay. Is this unit located in the Nora Coalbed gas field?

A. Yes, it is.

Q. And how many acres does this contain?

A. 58.77.

Q. And Pine Mountain does have drilling rights in this unit, is that correct?

A. That's correct.

Q. Are there any parties respondent listed on Exhibit B-3 who should be dismissed from this application?

A. No, there are not.

Q. Now, I had just previously explained to the Board, but under sworn testimony, we have provided revised exhibits to the Board, is that correct?

A. That's correct.

Q. And what was the reason for that revision?

A. We had an incorrect zip code on one of the addresses.

Q. And those were sent out the day of the... those were corrected the day they went out to the parties, is that correct?

A. That's correct.

Q. Have you attempted to reach agreements with the parties listed on Exhibit B-3?

A. Yes, I have. I've been in touch with them over the telephone and I've mailed them leases and I've talked to them and have been unsuccessful thus far.

Q. But those negotiations are ongoing, is that right?

A. Yes. As a matter of a fact, I expect to get leases from these parties hopefully...maybe in the next week or two.

Q. How was notice provided to the parties listed on Exhibit B-3?

A. By certified mail and also with return receipt requested and also it was published in the Bluefield Daily Telegraph.

Q. On what day?

A. June the 23rd, 2006.

Q. Are there any unknown owners in this unit?

A. No, there are no.

Q. Okay. And the last addresses of the

parties...last addresses for the parties listed on Exhibit B-3 are the correct addresses?

A. Yes, those are the correct addresses.

Q. Have you filed proof of publication and mailed certifications with Mr. Wilson?

A. Yes, we have.

Q. Okay. Is Pine Mountain authorized to conduct business in the Commonwealth?

A. Yes, we are.

Q. And is a bond on file with the Department of Mines, Minerals and Energy?

A. Yes, it is.

Q. If you were able to reach an agreement with the parties listed on Exhibit B-3, what would those terms be, please?

A. A five dollars per acre for a five year lease that provides a one-eighth royalty.

Q. Is this reasonable compensation for a lease in this area?

A. Yes, it is.

Q. And what percentage of the coalbed methane estate does Pine Mountain have under lease?

A. 99.714947%.

Q. So, we were real close, aren't we?

A. Yes.

Q. Okay. Does this percentage also include tracts which Pine Mountain owns in fee?

A. Yes.

Q. Okay. What percentage of the gas estate does Pine Mountain have under lease?

A. 99.714947%.

Q. What percentage of the gas estate are you seeking to pool?

A. .285053%.

Q. And with regard to this unit, is an escrow...is there escrow required?

A. There is not.

Q. Are you requesting the Board to pool the unleased interest listed on Exhibit B-3?

A. Yes.

Q. And that Pine Mountain also be named as an operator?

A. Yes.

Q. What should be the address for any elections that parties would make with regard to this application?

A. 406 West Main Street, P. O. Box 2136, Abingdon, Virginia 24212, to my attention: Phil Horn,

District Landman.

Q. And should all addresses and communications be sent to this address?

A. Yes.

TIM SCOTT: That's all the questions I have for Mr. Horn.

BILL HARRIS: Questions from Board members?

(No audible response.)

BILL HARRIS: I do have a question of clarification.

TIM SCOTT: Yes, sir.

BILL HARRIS: This is just personal knowledge. This...some of these interest...a couple of them have dower interest in. Could someone tell me...that means?

TIM SCOTT: My office actually conducted the title work on this particular unit and this case we have...the original owner was the husband of the lady who is show as the dower interest owner. She died prior to the time that a spouse would have received a fee simple interest. So, she has an undivided one-third interest, a life estate. She's still alive. So, as to this particular tract, she has a dower and then her children...her sons have the remainder interest. So, that's the...the dower is a reference to that type of---.

TIM SCOTT: Joanne Lane. Yes, sir, that's correct.

BILL HARRIS: Okay, okay. All right, thank you.
Any questions?

(No audible response.)

BILL HARRIS: You may continue.

DOUG TERRY

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Terry, would you state your name, please?

A. Doug Terry.

Q. And what's your occupation, please?

A. Petroleum Engineer.

Q. And by whom are you employed?

A. Pine Mountain Oil and Gas.

Q. And you are familiar with this application, is that correct?

A. Yes.

Q. And what's the...what's the total proposed depth for this well?

A. 2,400 feet.

Q. And the request made by Pine Mountain is to pool all formations from the surface to the target depth, is that correct?

A. Yes, it is.

Q. What are the estimated reserves for this unit?

A. We estimate 250 million cubic feet.

Q. And are you familiar with the well costs as well?

A. Yes.

Q. What's the estimated completed well costs?

A. The estimated total completed well costs is \$320,985.

Q. And the dry hole cost?

A. The dry hole cost is \$106,183.

Q. Have...has AFE been signed and submitted to the Board?

A. Yes, it has.

Q. And did you assist in the preparation of the AFE?

A. Yes, I did.

Q. Okay. Does the AFE also include a reasonable charge for supervision?

A. Yes, sir.

Q. And in your professional opinion, would the granting of this application prevent waste, promote...protect correlative rights and promote conservation?

A. Yes, sir.

TIM SCOTT: Okay. That's all the questions I have

for Mr. Terry.

BILL HARRIS: Board members, questions?

MARY QUILLEN: Yes. Could you clarify the dry hole costs again?

DOUG TERRY: Clarify what it is? It's---.

MARY QUILLEN: The amount.

DOUG TERRY: The amount, it was \$106,183.

MARY QUILLEN: On our copy it's \$101,183.

DOUG TERRY: That's the cost to the case in point and it didn't include the \$5,000 in abandonment costs for dry hole. So, if you add that on---.

MARY QUILLEN: Oh, okay.

BILL HARRIS: If you move down one...one line just above the signatures---.

DOUG TERRY: Yes.

BILL HARRIS: ---you can see where that has been added. So, that's where the \$106---.

MARY QUILLEN: Okay. Okay. Thank you.

BILL HARRIS: Yeah. Usually it is in the column. I did the same thing you did.

MARY QUILLEN: Well, I saw the \$5,000 on there, but I didn't see the total.

DOUG TERRY: Right. It sort of jumps over.

MARY QUILLEN: I see that. Thank you.

DOUG TERRY: You're welcome.

BILL HARRIS: Okay. Any other questions?

(No audible response.)

BILL HARRIS: You may continue.

TIM SCOTT: We'd just ask that the application be approved as submitted by Pine Mountain, please.

BILL HARRIS: Do we have a motion on this petition?

PEGGY BARBAR: Motion to approve.

MARY QUILLEN: Second.

BILL HARRIS: Second. Any further discussion?

(No audible response.)

BILL HARRIS: All in favor, say yes.

(All members signify by saying yes, except Donnie Ratliff.)

BILL HARRIS: Opposed, like sign.

DONNIE RATLIFF: I'll abstain, Mr. Chairman.

BILL HARRIS: Yes, one abstention, Mr. Ratliff.

The petition is approved. The next item is a petition from Pine Mountain Oil and Gas, Inc. for pooling of coalbed methane unit Haysi-31 CBM unit 71-AD, Prater District, Buchanan County, Virginia, docket number VGOB-06-0718-1687. We'd ask all persons who wish to speak to this petition to please come forward.

TIM SCOTT: Tim Scott for Pine Mountain Oil and Gas, Phil Horn and Doug Terry.

BILL HARRIS: The record will show there are no others.

TIM SCOTT: Mr. Chairman, as we did in the last application, similar parties are listed as respondents on Exhibit B and B-3. So, again, we sent these notices out with the correct zip code. We've revised Exhibit B and B-3 to reflect that.

BILL HARRIS: Okay.

PHIL HORN

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Horn, you've been previously sworn?

A. Right.

Q. And, again, would you state your name and by whom you're employed?

A. My name is Phil Horn, Pine Mountain Horn and Gas, Inc., District Landman

Q. And, again, your job description?

A. I work on getting wells ready to be drilled, work on oil and gas leases, permits, surface owner damages, pipeline right-of-way and such as that.

Q. So then, again, you are familiar with this application?

A. Yes, I am.

Q. And you did participate in the preparation of the application?

A. Yes, I did.

Q. I guess, this is located in the Nora Coalbed Gas Field, is that right?

A. That's right.

Q. And it does contain 58.77 acres?

A. That's correct.

Q. Pine Mountain does have drilling rights in this unit?

A. That's correct.

Q. Are there any parties respondent listed on Exhibit B-3 who should be dismissed from this application?

A. No.

Q. I had previously informed the Board about the reason for the revised Exhibit B and B-3. Would you please explain that to the Board?

A. Apparently, they had the wrong zip code listed on one of the owners and they corrected that prior to mailing it at the post office.

Q. As to your efforts to reach an agreement

with the parties respondent, what have you done?

A. It's the same parties as in Haysi-6. So, we...I've been in contact with them on the telephone. They live up in the Baltimore, Maryland area. I'm pretty sure that they will sign a lease, but I didn't have a lease signed. So, I went ahead and went through the force poolings today. So, we will probably be withdrawing this one and the next one, I mean, once...once I get the lease signed.

Q. Once you get the leases in place, right. How was notice provided to the parties respondent?

A. By certified mail and return receipt requested, as well as published in the Bluefield Daily Telegraph.

Q. Was it published on the same day as Haysi-6, June the 23rd?

A. Yes, June the 23rd, '06.

Q. Are there any unknown owners in this unit?

A. No, there are not.

Q. Have you filed proofs of publication and mailed certifications with Mr. Wilson?

A. Yes, we have.

Q. And, again, I'll ask you, is Pine Mountain authorized to conduct business in the Commonwealth?

A. Yes, we are.

Q. And is there a blanket bond on file with the Department?

A. Yes, there is.

Q. If you were able to reach an agreement with the parties respondent, what would those terms be?

A. A five dollars per acre for a five year lease that provides for a one-eighth royalty.

Q. Is this reasonable a compensation for a lease in this area?

A. Yes.

Q. And what percentage of the CBM estate does Pine Mountain have under lease?

A. 98.424068%.

Q. And, again, I asked you before, does this also include acreage in which Pine Mountain has a fee simple interest?

A. Yes, it does.

Q. What percentage of the gas estate does Pine Mountain have under lease or the CBM Estate, I'm sorry?

A. 98.424068% and that also includes a tract that's shown on the plat as being owned by Chesapeake and their our partner in this prospect.

Q. What about percentage of gas estate that

you're seeking to pool?

A. 1.575932%.

Q. Now, with regard to this unit, is there an escrow requirement?

A. Yes.

Q. Okay. So, has an Exhibit E been submitted with the application?

A. Yes, it has.

Q. Okay. Are you requesting the Board to pool the unleased parties on Exhibit B-3?

A. Yes, we are.

Q. And that Pine Mountain be named operator?

A. That's correct.

Q. What should be the address to use an order providing for elections, if some were made on this particular unit?

A. Pine Mountain Oil and Gas, Inc., 406 West Main Street, P. O. Box 2136, Abingdon, Virginia 24212, to my attention: Phil Horn, District Landman.

Q. And should this be the address for all communications with regard to this order?

A. Yes, it should.

TIM SCOTT: Okay. That's all the questions I have for Mr. Horn.

BILL HARRIS: Thank you. Questions from Board members?

(No audible response.)

BILL HARRIS: Okay. You may continue.

DOUG TERRY

having been duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Terry, again, you are employed by Pine Mountain, is that correct?

A. Yes.

Q. As a petroleum engineer?

A. Yes.

Q. And you are familiar with this application?

A. Yes, I am.

Q. As to this particular proposed well, what would be the targeted depth?

A. 2,450 feet.

Q. What are the estimated reserves for this particular unit?

A. 250 million cubic feet.

Q. And are you requesting the pooling of...all

coalbed methane reserved from the surface to the target depth and anything found in between?

A. Yes, we are.

Q. Okay. Are you familiar with the well costs for this well?

A. Yes.

Q. And what is the estimated dry hole cost?

A. The estimated dry hole cost for this particular well is \$133,632.

Q. And what about the completed well cost?

A. The complete well cost is \$344,718.

Q. Did you assist in the preparation of the AFE for this particular unit?

A. Yes, I did.

Q. And was that AFE signed and submitted to the Board with the application?

A. Yes, it was.

Q. Okay. Does the AFE include a reasonable charge for supervision?

A. Yes.

Q. And, in your professional opinion, would the granting of this application be...again, in the best interest of conversation, the protection of correlative rights and the prevention of waste?

A. Yes, sir.

TIM SCOTT: Okay. That's all the questions I have for Mr. Terry.

BILL HARRIS: Thank you. Questions from Board members?

(No audible response.)

BILL HARRIS: Okay. You may continue.

TIM SCOTT: That's all I have. I'd ask that the application be approved---.

BILL HARRIS: Thank you.

TIM SCOTT: ---as submitted.

BILL HARRIS: Do we have a motion?

MARY QUILLEN: Motion to approve.

PEGGY BARBAR: I'll second.

BILL HARRIS: Okay. Any further discussion?

(No audible response.)

BILL HARRIS: All in---.

SHARON PIGEON: I...I don't have an E. Does everyone have that, but me?

BILL HARRIS: It's the last page.

MARY QUILLEN: I have an E.

SHARON PIGEON: You do?

MARY QUILLEN: Uh-huh.

SHARON PIGEON: I must be overlooking it. I'm

sorry, I interrupted you. Only Tract 4 has to be escrowed?

TIM SCOTT: Yes, ma'am.

SHARON PIGEON: That's all.

BILL HARRIS: Okay.

SHARON PIGEON: I'm sorry. Thank you.

BILL HARRIS: Yeah, I think we're okay. I guess, we're ready for a vote. All in favor of approval, say yes.

(All members signify by saying yes, except Donnie Ratliff.)

BILL HARRIS: Opposed, like sign.

DONNIE RATLIFF: I'll abstain.

BILL HARRIS: One abstention, Mr. Ratliff. Okay.

The petition is approved. And our last item, a petition from Pine Mountain Oil and Gas, Inc. for pooling of coalbed methane unit, Lover's Gap 42 CBM unit 78-Y, Prater District, Buchanan County, Virginia, docket number VGOB-06-0718-1688. We'd like to ask all of the parties who are interested in speaking to this petition, please come forward.

TIM SCOTT: Tim Scott, Phil Horn and Doug Terry for Pine Mountain.

BILL HARRIS: Okay. Let the record show there are no others. You may continue.

TIM SCOTT: We have no zip code problems on this one.

BILL HARRIS: That's good.

PHIL HORN

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Okay. Mr. Horn, would you state your name, again, please?

A. I'm Phil Horn. I'm employed by Pine Mountain Oil and Gas, Inc. as a District Landman.

Q. And your job description---?

A. And my job description includes working on wells, getting ready to permit and get drilled, working on titles, leases and dealing with the surface owners, right-of-ways, coal owners and et cetera.

Q. And you did participate in the preparation of this application, is that correct?

A. Yes, I did.

Q. Is the unit in the Nora Coalbed Gas Field?

A. Yes, it is.

Q. And it does contain 58.77 acres, is that right?

A. No, that's an irregular unit.

Q. Is this an odd one?

A. It's an odd unit. I believe it's 48.---.

BOB WILSON: 84.

A. ---84 acres.

Q. Okay. That's right.

A. It's where Oakwood...Oakwood and Nora join.
It's an oddball unit. But it's in the Nora Field.

Q. You all do own drilling rights in this
unit, is that correct?

A. Yes, we do.

Q. And are there any respondents to be
dismissed from Exhibit B-3?

A. No.

Q. Now, as far as the respondents that are
listed on Exhibit B-3, what efforts have you made to attempt
to reach an agreement with them?

A. This is the second time we forced Ms.
Stanley down in Morristown, Tennessee. Back the last time,
we...I called her and talked to her. She had...mailed her
lease. She more or less didn't want to lease and agreed
that the best thing for us to do is just to go ahead and
force pool her interest.

Q. Is that Trudy Stanley?

A. Trudy Stanley, yes.

Q. We've had experience with her before.

A. That's correct.

Q. How was notice provided to Ms. Stanley on Exhibit B-3?

A. By certified mail return receipt requested as well as being told...published in the Bluefield Daily Telegraph on June the 23rd, 2006.

Q. There are...there are no unknown owners in this unit, is that right?

A. No, there are not.

Q. Okay. Have you filed proofs of publication and mail certification with Mr. Wilson?

A. Yes.

Q. And, again, is Pine Mountain authorized to conduct business in the Commonwealth?

A. Yes.

Q. And we have a blanket bond on file with the Department, is that right?

A. That's correct.

Q. What...what terms have you offered Ms. Stanley?

A. Five dollars per acre for a five year lease that provides a one-eighth royalty.

Q. And is this reasonable for a lease in this area?

A. Yes, it is.

Q. What percentage of the CBM estate does Pine Mountain have under lease?

A. We have a 100%.

Q. And that does also include interest in which you have a 100%...you have a fee simple interest, is that correct?

A. That's correct.

Q. What percentage of the CBM estate does Pine Mountain have under lease?

A. 98.61%.

Q. And what percentage of the gas estate are you seeking to pool?

A. 1.39%.

Q. With regard to this unit, is there an escrow requirement?

A. Yes, there is.

Q. Okay. And we have submitted an Exhibit B that sets forth the conflict, is that correct?

A. Yes.

Q. Okay. Are you requesting the Board to pool the unleased parties listed on Exhibit B-3?

A. Yes.

Q. And that Pine Mountain be named operator for this unit?

A. That's correct.

Q. What...what would be the address to be used in an order and any communication with regard to elections and any communications regarding the pooling order for this unit?

A. Pine Mountain Oil and Gas, Inc., 406 West Main Street, P. O. Box 2136, Abingdon, Virginia 24210, Attention: Phil Horn, District Landman.

Q. And, again, this should be the address for all communications regarding the pooling, is that right?

A. That's correct.

TIM SCOTT: Okay. Those are the questions I have for Mr. Horn.

BILL HARRIS: Board members, any questions?

(No audible response.)

BILL HARRIS: Okay. You may proceed.

DOUG TERRY

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Terry, are you familiar with the

application before the Board?

A. Yes, sir.

Q. And are you familiar with the proposed total depth for this well?

A. Yes. It's 2,200 feet.

Q. And what the estimated reserves for this unit?

A. 250 million cubic feet.

Q. Are you also familiar with the well costs for this proposed well?

A. Yes.

Q. And what would the dry hole costs be?

A. The dry hole cost would be \$130,646.

Q. And the estimated completed well costs?

A. \$371,084.

Q. Okay. Are you requesting the pooling of coalbed methane gas reserves between the surface and the target formations and those CBM reserves in between, is that correct?

A. Yes. Yes, sir.

Q. Did you assist in the preparation of the AFE, which is submitted to the Board?

A. Yes, I did.

Q. And was that AFE signed and made a part of

the application?

A. Yes.

Q. Okay. Does the AFE include a reasonable charge for supervision for this well?

A. Yes, it does.

Q. And, in your opinion, would the granting of this application be in the best interest of conservation, the prevention of waste and the protection of correlative rights?

A. Yes.

BILL HARRIS: Did we the costs?

TIM SCOTT: Yes.

DOUG TERRY: Yes.

BILL HARRIS: Where was I...where was I?

Q. What's the estimated dry hole costs, Mr. Terry?

A. The estimated dry hole cost is \$130,646.

Q. And the completed cost?

A. \$371,084.

BILL HARRIS: Okay. Thank you. I wasn't sure if I heard those.

TIM SCOTT: That's okay.

BILL HARRIS: Questions from Board members?

(No audible response.)

BILL HARRIS: Okay. You may continue.

TIM SCOTT: We ask that the application be approved.

BILL HARRIS: Do we have a motion?

MARY QUILLEN: Motion to approve.

PEGGY BARBAR: I'll second.

BILL HARRIS: Okay. Any further discussion?

(No audible response.)

BILL HARRIS: All in favor, say I or yes.

(All members signify by saying yes, except Donnie Ratliff.)

BILL HARRIS: All opposed, like sign.

DONNIE RATLIFF: I abstain, Mr. Chairman.

BILL HARRIS: Fine. Mr. Ratliff abstains. Okay, the petition is approved.

TIM SCOTT: Thank you very much.

BILL HARRIS: Thank you very much. And we do have---.

DONNIE RATLIFF: I move that we approve the minutes.

BILL HARRIS: Well, there is a motion to approve the minutes. Do you need a second to look over them?

MARY QUILLEN: Second.

BILL HARRIS: Well, I guess there's a second. All

in favor, say yes.

(All members signify by saying yes.)

BILL HARRIS: Opposed, like sign.

(No audible response.)

BILL HARRIS: Thank you. And...do we have anything else?

BOB WILSON: Yes, sir.

BILL HARRIS: Yes. Okay. Yes?

BOB WILSON: We have...we have a bit of business. I'll be very quick with this.

BILL HARRIS: Thank you all.

PHIL HORN: Thank you.

BOB WILSON: We neglected to get on the agenda this time. The quarterly report from the escrow agent. I want to go ahead and give you this anyway and just get on the record the fact that our beginning balance was \$13,615,107.02. We received deposits totaling \$1,272,159.85. Earned interest of \$187,584.58 and made total disbursements during the quarter of \$432,289.26 yielding a final closing balance for the quarter at \$14,602,592.19. Our---

SHARON PIGEON: 62.

BOB WILSON: Excuse me?

SHARON PIGEON: 562 and not 92.

BOB WILSON: Who said that? 5...yes. Let me...I'll start over. Thank you.

SHARON PIGEON: Let's just do it again.

BOB WILSON: \$14,602,562.19 and our interest rate, as of the end of June, was at 4.9%.

BILL HARRIS: Can we state that again just one last time?

BOB WILSON: \$14,602,562.19. Attached hereto is the detail of the disbursements that were made during the quarter. It's the usual list that we get showing the people who have actually received money during this quarter. That's all I have on this unless somebody has some questions about the report there.

BILL HARRIS: Any questions or discussion?

(No audible response.)

BILL HARRIS: I guess that...do we need to accept this or do we take any formal action?

BOB WILSON: No, sir. It's just a presentation.

BILL HARRIS: Okay, fine.

BOB WILSON: I would also like to...of course, everybody here, I think, responded to the correspondence relative to our proceeding with Wachovia for the continuing handling of the escrow account. I want to do this for the record today to acknowledge that we did get consenting

correspondence from the majority of the Board to notify Wachovia that we would be continuing the escrow account with them as opposed to going to the new AST company that has bought that section of the business. And would like to today, Mr. Chairman, please if you don't mind, to codify that in a vote to approve to approve the continuation of the escrow account services with Wachovia National Bank.

DONNIE RATLIFF: So moved, Mr. Chairman.

SHARON PIGEON: Could I ask a---?

BOB WILSON: Yes, ma'am.

SHARON PIGEON: ---question about this since I haven't seen any of this---?

BOB WILSON: Sure.

SHARON PIGEON: ---not being a Board member? Is this continuing it for a term or is it just for month to month? What is its length?

BOB WILSON: No. It's continuing it under the existing contract. The existing contract was with Wachovia.

SHARON PIGEON: This is extra months that we could continue---.

BOB WILSON: So, we had the three choices. We could either go with AST, who has purchased that arm of Wachovia; we could continue with Wachovia; or we could go in an entirely different route and sever their relationship

with Wachovia. Wachovia came to us with a substantial program to continue the account and actually---.

SHARON PIGEON: Is this through the end of their entire contract---?

BOB WILSON: ---bring it back into Virginia.
Excuse me?

SHARON PIGEON: They will be relocating the account to Virginia and will this be through the end of the existing contract term?

BOB WILSON: Yes.

SHARON PIGEON: What is that ending date?

BOB WILSON: 2009.

SHARON PIGEON: Thank you.

BOB WILSON: Unless we...the Board has the...under State contract the Board has the option to actually get out of that contract at anytime with notice. So, we could, if we wanted to, break that contract. But the decision right now is to either go with AST or continue with Wachovia.

BILL HARRIS: I think Mr. Ratliff made a motion that we---.

MARY QUILLEN: I have a question.

BILL HARRIS: Yes, uh-huh.

MARY QUILLEN: You said the end of the contract in 2002. Would we have an option to renew that contract with

Wachovia or has that not been a question?

BOB WILSON: It's 2009.

MARY QUILLEN: I mean, 2009.

BOB WILSON: We've already renewed once. We renewed the contract once and that's the only renewal that's provided for in the initial contract. So, presumably in 2009, if we continue to that point with Wachovia, we would have to put out...negotiate a new contract.

MARY QUILLEN: Oh. Have you learned where it would be moved back to? Will it be Roanoke?

BOB WILSON: It will be managed in Roanoke. The business that goes along with it will be handled in Roanoke and in Winston Salem, which is one of their main, I guess, computer centers. The individuals that we will be dealing with will be in Roanoke.

MARY QUILLEN: Very good.

BILL HARRIS: Are those currently the folks that we're dealing with now, except for this latest?

MARY QUILLEN: No.

BILL HARRIS: Now, where...where has it been?

BOB WILSON: Philadelphia.

MARY QUILLEN: Philadelphia.

BILL HARRIS: Okay. Wachovia has been in---?

BOB WILSON: Yes.

BILL HARRIS: Okay. Yeah, that's...okay.

BOB WILSON: And that's the branch of Wachovia that has been (inaudible).

BILL HARRIS: Okay. There is a motion on the floor. We don't have a second for it yet. But the motion is to ask that Wachovia retain the contract and proceed as contracted until we do something different.

MARY QUILLEN: I'll second the motion Mr. Rasnake made.

BILL HARRIS: Okay. Any further discussion?

(No audible response.)

BILL HARRIS: All in favor, say yes.

(All members signify by saying yes.)

BILL HARRIS: Opposed, like sign.

(No audible response.)

BILL HARRIS: Thank you.

BOB WILSON: One other item---.

BILL HARRIS: Yes.

BOB WILSON: ---then I'll quit and we'll all go to eat. We have a proposal for an audit of the escrow account that we solicited from a certified public accountants, Robinson, Farmer and Cox Associates. They are actually out of Christiansburg. Now, these folks have done all of the escrow account audits for us in the past. As a matter of

fact, when we have put this out for bid, they have been the only folks who have responded. They are attuned to doing audits of government funds and this sort of thing. We solicited a proposal from them to do basically a six year audit, which will be from the time we went to Wachovia to the present. They submitted us a proposal, along with a cost of \$9,500 for that six year audit. For sake of comparison, the two year audits that they have done for us in the past have costed us about \$4,000 and that was, again, five years or more ago. This seems to be quite a reasonable figure to me. I have passed this proposal pass DMME's financial people and our internal auditor and I don't have his proxy, but I will tell you that Benny is in favor of going forward with this as well. So, I would like to get the Board's authorization to go ahead and pursue the beginning of this audit with Robinson, Farmer and Cox Associates.

BILL HARRIS: Yes. Could you give us the costs again?

BOB WILSON: Yes, sir. \$9,500.

MARY QUILLEN: For six years, that's very good.

BOB WILSON: I'm sorry?

MARY QUILLEN: For six years, that's very good.

BOB WILSON: I thought that was an extremely good

price. By the way, just for information, this will be paid for from escrowed funds, from the interest accumulated on the escrow account.

BILL HARRIS: Do we have a motion relative to that?

MARY QUILLEN: Motion to accept the proposal from the firm in Christiansburg.

BILL HARRIS: Do we have a second?

PEGGY BARBAR: I'll second.

BILL HARRIS: Okay. Thank you. Any further discussion?

(No audible response.)

BILL HARRIS: All in favor, say yes.

(All members signify by saying yes.)

BILL HARRIS: Opposed, like sign.

(No audible response.)

BILL HARRIS: Thank you. The motion passed. We stand adjourned.

STATE OF VIRGINIA,

COUNTY OF BUCHANAN, to-wit:

I, Sonya Michelle Brown, Court Reporter and Notary Public for the State of Virginia, do hereby certify that the foregoing hearing was recorded by me on a tape recording

machine and later transcribed under my supervision.

Given under my hand and seal on this the 10th day
of August, 2006.

NOTARY PUBLIC

My commission expires: August 31, 2009.